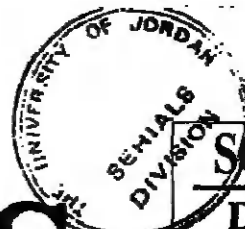


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EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES



Deficit liberalising

Page 3

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World News Business Summary

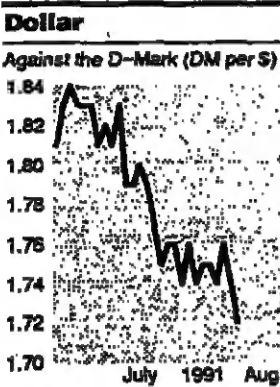
Soviet decree targets food supply shortages

Soviet president Mikhail Gorbachev has decreed that hard currency should be used to secure supplies of food and basic consumer goods in the face of falling production and warnings of a poor harvest. The presidential decree lays down that all hard currency funds should be used to purchase consumer goods from abroad and that barter arrangements should be set up to further ensure supplies. The measure, one of several which attempt to address the increasing crisis on the Soviet consumer market, is notable for its explicit reliance on market mechanisms. Page 18

Chase plans to sell off US leasing businesses

Chase Manhattan, large New York commercial bank, plans to sell most of its North American commercial leasing business - with assets of \$2.2bn - to four buyers as part of its strategy to dispose of non-core businesses. The move follows its sale earlier this year of its institutional asset management business to Union Bank of Switzerland. Page 19

DOLLAR dropped two pence as a big sell order from the Far East coincided with fears of monetary easing in the US. Lifting sterling and the D-Mark as it fell, the dollar hit a low



Source: Citicorp

Jobs-for-life may go

Many German public officials face losing their jobs-for-life status as public corporations face increasing competition from the private sector. Page 2

US aid boost

Congress is expected to boost US exports by targeting millions of dollars in aid towards foreign infrastructure development. The funds would have to be used to buy US goods and services. Page 3

ANC wants early talks

South Africa's African National Congress is seeking an early start to constitutional negotiations to capitalise on the government's loss of stature in the wake of the Inkatha funds scandal. Page 4

Shia Muslims protest

Pakistanis protest against the government's alleged failure to punish the killers of their leader, Arif Al-Hussaini, who died three years ago. Page 5

Guerrilla leader held

Philippine police captured the chief of the communist New People's Army, Romulo Kintanar, and his wife at a Manila hospital where they were having check-ups. Page 6

Kenya forum illegal

Kenya's ruling African National Union has declared illegal a new forum to campaign for a return to multi-party democracy. Opposition parties are banned in Kenya. Page 7

Police chief jailed

The former police chief of Australia's Queensland state, Sir Terence Lewis, was jailed for 14 years for accepting nearly \$800,000 (US\$470,000) in bribes. Page 8

Presidency rejected

Lee Kuan Yew, Singapore's prime minister for 31 years until last November, said he would not seek election as president when the post is created in 1993. Page 9

M-tests world ban urged

A British-based medical campaign against nuclear weapons is calling for an immediate ban on worldwide nuclear tests after an international report predicted millions of deaths. Page 10

Honda founder dies

Soichiro Honda, who founded Honda Motor and spearheaded Japan's participation in international motor sport, has died at 84. Page 18



Taking cover: A Yugoslav federal airforce jet flies low over Osijek airport, which is in Croatian hands but surrounded by Serbian forces

Armed European intervention urged as EC sets up crisis talks

France seeks Yugoslav force

By David Gardner in Brussels and Laura Silber in Zagreb

FRANCE yesterday moved to convene an emergency meeting of the nine-member Western European Union to consider sending a military force to intervene in Yugoslavia.

Mr Roland Dumas, French foreign minister, was reported by ministry officials to have raised the issue as his European Community counterparts planned an emergency meeting on the crisis today.

The foreign ministers' meeting will consider a report on the events leading to the failure of the weekend EC mission to resolve the situation.

French foreign ministry officials said Mr Dumas had asked the WEU defence alliance to meet "in the framework of the possible creation of a European interposition force" in Yugoslavia. Mr Dumas also planned

YUGOSLAV CRISIS

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sought agreement with the leaders of Yugoslavia's six republics on implementing a ceasefire in the western republic of Croatia. But the talks broke down after Mr Milosevic failed to attend a session in Belgrade on Sunday, in effect reneging on agreements made the previous day.

More than 300 people have died in fighting between Croats and Serbs since June 25, when Croatia and Slovenia declared independence.

Japanese PM pledges tough new finance legislation

By Stefan Wagstyl in Tokyo

JAPANESE prime minister Mr Toshiki Kaifu yesterday promised to prevent any repeat of recent stock market scandals by enacting tough new securities laws.

He made the pledge in a policy speech at the opening of a special session of the parliament, during which Mr Kaifu will make changes to Japan's post-war political system.

for trading losses. The Securities and Exchange law would be revised to make compensation illegal and also to ban *egyo tokkin* - discretionary investment accounts managed directly by brokers instead of fund managers.

trust in Japanese markets but also because they contradicted "our ideal of a fair society". He also criticised the "super-visory authorities", a comment aimed directly at the Ministry of Finance, although the prime minister did not name it.

calls for his resignation partly because of his responsibility as head of the ministry and partly because it emerged at the weekend that one of his aides had been involved in a separate financial affair concerning illegal loans.

potential future prime minister, wants to stay in his post long enough to be able to claim credit for some of the reforms. To go now, when demands for his resignation are at their peak, would look like giving in to pressure.

Lloyd Webber chalks up a Really Useful deal

By Michael Skapinker in London

MR Andrew Lloyd Webber, chalked up another hit yesterday.

The creator of *Cats*, *Jesus Christ Superstar* and *Evita* sold a 30 per cent stake in his Really Useful Holdings to PolyGram, the music business, for £78m, which is more than the entire sum he paid for the whole group last year.

Mr Lloyd Webber paid £77.5m for the company when he bought it back from shareholders in a buy-out last year. Mr Alain Levy, chief executive of PolyGram, which is 80 per cent owned by Philips of the Netherlands, said he thought the deal was worth every penny.

He described Mr Lloyd Webber, whom he likened to Mozart, as "one of the talents of the twentieth century". He added: "We're not talking about a pop artist here. We are talking about someone who has a long-term life in all kinds of entertainment businesses."

Mr Levy said the real attraction of the deal was that Mr Lloyd Webber had agreed to

extend his contract with Really Useful by 10 years to 2003. PolyGram, which has paid £55m for its stake and will pay an additional £10m in 1994, has been given PolyGram the option to acquire a majority stake in Really Useful in 2003. It will also pay Mr Lloyd Webber an unspecified performance-related payment.

tion of Joseph and the Amazing Technicolour Dreamcoat, featuring Jason Donovan, the Australian performer. Mr Levy said the attraction of Really Useful was its wide appeal. "People want to listen to Jason when they are six years old and people go to *Cats* in their eighties," he said.

As part of the agreement, PolyGram gains exclusive worldwide recording, publishing, television and video rights to Really Useful's existing and future works, subject to existing licences.

Mr Levy said PolyGram would have one representative on the Really Useful board, but would not otherwise intervene in the company's management. Mr Patrick McKenna, chief executive of Really Useful, said he hoped to work with PolyGram in areas such as television and film. The deal would give Really Useful access to PolyGram's worldwide distribution network.

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Has German enthusiasm for monetary union begun to flag?



Chancellor Helmut Kohl denies it, but the cost of reconstructing east Germany together with a number of other pertinent factors, have combined to push Emu down the list of Bonn's priorities. Page 16

MARKETS

STERLING	DOLLAR	STOCK INDICES
New York lunchtime: \$1.7115	New York lunchtime: DM1.7183	FT-SE 100: 2,585.4 (-16.3)
London: \$1.7115	London: FF5.8445	FT Ordinary: 1,999.4 (-15.2)
London: \$1.7115	London: Y136.835	FT-A All-Share: 1,235.06 (-0.6%)
London: \$1.7115	London: DM1.72 (1.7345)	New York lunchtime: DJ Ind. Av. 2,995.08 (-11.18)
London: \$1.7115	London: FF5.8525 (5.8975)	S&P Comp 385.18 (-2.0)
London: \$1.7115	London: Y136.85 (136.75)	Nikkei: 23,833.25 (-194.72)
London: \$1.7115	London: \$ index 86.1 (86.6)	LONDON MONEY
London: \$1.7115	London: Tokyo close Y137.3	3-month interbank: 103 1/2 (10 1/2)
London: \$1.7115	London: US lunchtime rates	Life long gilt future: Sep93 1/2 (93 1/2)
London: \$1.7115	London: Fed Funds: 5 1/4 %	
London: \$1.7115	London: 3-mo Treasury Bill: 5.646%	
London: \$1.7115	London: Long Bond: 98 1/2	
London: \$1.7115	London: yield: 8.251%	
London: \$1.7115	London: Chief price changes yesterday: Page 19	

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EUROPEAN NEWS

Two of Yugoslavia's closest neighbours share concern about a flood of refugees as the tide of violence steadily mounts

Italy sees threat to its border and its political aims

By Haig Simonian in Milan

AS the European Community's only member sharing a border with Yugoslavia, Italy is understandably more worried than most about developments to the east.

Rome's concern has both military and political roots. Fighting, first in Slovenia and now in Croatia, poses a potential threat to national borders requiring some military response. Unlike Austria, the government has reacted largely cosmetically so far, with steps limited to troop reinforcements in north-eastern Italy.

Politically, too, the Italians have reason to be concerned. Rome has taken the initiative in promoting new multilateral political bodies in the region: the five-country "Pentagonale", now increased to six with the inclusion of Poland; the Alpine-Adria grouping of regional authorities in the eastern Adriatic; and a new grouping of regional authorities on either side of the Adriatic further to the south.

Its strategy in such initiatives has mixed motives. Explanations range from the wish to use Italy's regional

strength in southern Europe as an instrument for consolidating its position in the EC, to concern in Rome to create a regional, Italian-led, buffer against a potential rise in German influence in the region, particularly after reunification.

Italy's interest in the Yugoslav problem is heightened by the potential refugee problem. Economic and political collapse

in neighbouring Albania triggered periodic waves of Albanian "boat people" making for Italy's shores, creating immense problems for Rome.

Hence the government's interest in supporting any EC measures improving internal stability in Yugoslavia and preventing what could be a much bigger Slovenian or Croatian exodus towards Italy.

Rome's worries are exacerbated by the presence of a substantial Italian-speaking minority, presenting a certain moral responsibility, in northern Yugoslavia. Moreover, the Italian-speakers have been vocal in expressing their anger or disappointment with Rome's policy so far. Ill-judged remarks in an interview by President Francesco Cossiga

earlier this year underplaying the role of the Italians in Istria provoked a furious response.

The fact that many of the minority have blood ties with families across the border in Italy also means votes are potentially at stake. In particular, the small, ultra-right wing MSI party sees political capital in attacking the government for not supporting the Italian

minority adequately, judging from remarks this week by its new head, Mr Gianfranco Fini.

In the circumstances, it is not surprising that the official Italian line towards Yugoslavia has been one of firm support for EC opposition to a division of the Yugoslav federation and reluctance to recognise the splinter republics.

But matters are complicated

in Italy by differing regional responses. Regional governments along the Adriatic coast in general, and in the north-east region of Friuli Venezia Giulia in particular, have called on Rome to take more of an initiative.

The reaction from Friuli Venezia Giulia, the only Italian region bordering Yugoslavia, has both economic and security sides. Fighting in Slovenia led to repeated local demands for Rome to step up its diplomatic and military efforts. Trieste, the biggest city in the region with 235,000 inhabitants, is only a few kilometres from the border; Gorizia, a town of 40,000, is split down the middle, with the Italian half virtually indistinguishable from its Slovenian sister town of Nova Gorica next door.

Calls in Friuli for Rome to recognise Slovenia and Croatia are linked to financial factors, too. Yugoslavian shoppers, especially from Slovenia but also from other parts of the country, play a growing role in the economies of many Italian towns along the border. Trieste in particular. In recent weeks, their absence has hurt.

AUSTRIA WANTS CSCE MEETING RECONVENED TO DISCUSS CRISIS

MR ALDOIS MOCK, Austria's foreign minister, yesterday asked Mr Hans Dietrich Genscher, his German counterpart, to reconvene the meeting of the Conference on Security and Co-operation in Europe held in Vienna last month to discuss the crisis in Yugoslavia, writes Judy Dempsey, East Europe Correspondent.

At the same time, Austrian officials believe the breakdown of negotiations between the European Community and the Yugoslav government at the weekend could precipitate recognition by western governments of the declaration of independence issued by Slovenia and

Croatia on June 25.

Mr Mock sent a letter yesterday morning, "urging Mr Genscher, in his capacity as current chairman of the CSCE, to try to convene a meeting this week, maybe on August 8 and 9", a spokesman for Mr Mock said.

Austrian officials, who described the collapse of the EC mission to Yugoslavia "as terribly serious", said at least one positive development emerged from the talks in Belgrade. "Everybody now knows who is blocking attempts to impose a ceasefire," he added, referring directly to Serbia.

Any escalation of the crisis will have an immediate effect on Austria, which

borders with Slovenia. Already dozens of Croats are arriving in Austria through Slovenia. "Several families have arrived in recent days. They have said they do not want to return. At first they went to seek refuge in the churches in Austria. But even the churches will not have enough room," a Foreign Ministry official said.

Austria's Interior Ministry, which has many years of experience of dealing with refugees from eastern Europe, said the first wave occurred during the Hungarian revolution in 1956 - said it had already prepared camps which could cope with more than 300,000.

"If the situation deteriorates in

Yugoslavia, then I can only expect a massive wave of refugees," a Foreign Ministry official commented. He added that Hungary could also expect many refugees. The republic of Croatia borders Hungary.

Meanwhile, the Austrian government is considering a request for a Schengen (1987) credit line from the Slovene government. The request, initially made to Mr Ferdinand Luchini, the finance minister, was passed on to the foreign minister. "The Foreign Ministry said it would be treated as a normal request - that is, it should be treated as help from another country. We are not against it."

Weapons seized on Hungary's border

THIRTEEN guns were confiscated from Yugoslav citizens on the Hungarian border over the weekend, the Hungarian daily *Nepszabadsag* said yesterday, AP reports from Budapest.

In two separate incidents, at Babafuzes on the Austrian border and Dravassabolcs on the border with Croatia, Hungarian border police seized 7.62 and 6.35 calibre rifles and 300 semi-automatic weapons from people who had the arms inside their cars.

"I cannot remember having ever caught anybody trying to smuggle this quantity of arms over the Hungarian border," said Colonel Janos Zubeck of the Hungarian Border Guards. The cars had been specially fitted to hide the guns, he said.

At Babafuzes, the smugglers tried to bring arms purchased in Austria into Hungary. At Dravassabolcs they were trying to ship them into Croatia.

A spokesman for Hungary's Defence Ministry, meanwhile, denied Yugoslav media reports that 30 Slovenian pilots had travelled to Hungary to pick up MIG combat aircraft.

Croatian leader tries to still chorus of criticism

By Laura Silber in Zagreb

THE future of Mr Franjo Tudjman, Croatia's president, hangs in the balance following the Serbian and army occupation of parts of his republic.

His critics say he has acted too late and too indecisively.

In an attempt to broaden his support, he agreed last week to form a government of national unity. This was also intended to stem mounting criticism of his handling of the conflict. Opposition and independent leaders now comprise more than half the new government, although Mr Tudjman appointed members of the ruling Croatian Democratic Union (HDZ) to key cabinet positions.

But the agreement with the opposition, which included scaling-down his considerable presidential powers, may not have been enough to win support from the HDZ.

Mr Tudjman, 67, is now forced to tread with great caution between the opposition from the left and the right. Opposition leaders of all political hues are angry and dismayed by the indecisiveness of the government, which has forced Croatia to its knees in its conflict with Serbia, Yugoslavia's biggest republic.

Mr Tudjman, whose party in April 1990 won the first free

elections since the Second World War on a promise of independence for Croatia, devoted most of his first year in power to pomp and pageantry.

His initial popularity - his portrait hangs in most stores and restaurants - was based on his impeccable nationalist credentials. He was jailed in the 1970s when Yugoslav President Josip Broz Tito cracked down on Croatian nationalism and then banned from public life until the collapse of communism in 1990.

On becoming president, Mr Tudjman's fatal mistake was the immediate alienation of the 600,000-strong Serbian minority in Croatia. He presided over the promulgation of a new constitution which named Croatia the state of Croats, excluding the Serbs. His insensitivity and public remarks such as "Thank god my wife is neither a Serb nor a Jew" sparked harsh criticism from the weak opposition on the left.

But his dream to create an independent state has so far proved to be based on national symbols, and thus short on substance.

Croatia, both within the HDZ and among the population of

4.7m, who watch the state-run television with fear and horror, are angry. They watch the fighting which led to the deaths of more than 200 Croat police and national guardsmen, as well as the destruction of ethnically mixed villages.

Indeed, Mr Tudjman is being blamed for the inability of the untrained and lightly-armed Croat security forces to defend the republic. His critics say his defence strategy amounts to rhetoric in which Croatia is portrayed as the victim of Serbian aggression.

Hardline nationalists such as Mr Sime Djodan, the former defence minister, have now swung behind the new government, but only after two days of bitter arguments within the HDZ. Mr Djodan was sacked last week as a concession to the moderates, but he was moved up to the recently created war cabinet.

Yesterday Mr Tudjman accused the right wing of the party of plotting against him at the expense of Croatia. But these criticisms may be too late for the embattled president, who can now ill afford to settle accounts with the opposition while the republic is under siege.



Opposition leaders of all political hues are dismayed by the indecisiveness of Mr Franjo Tudjman's government, which has forced Croatia to its knees in its conflict with Serbia

Coal use forecast to grow 1.2% a year

CONSUMPTION OF coal in the main industrialised nations is expected to grow at an average 1.2 per cent a year until 2000, the International Energy Agency (IEA) said yesterday, AP-EN reports from Paris.

The Paris-based organisation said coal demand would reach the equivalent of 1.579tn metric tons, as measured in standard calorific units, by the year 2000, up 12.7 per cent from 1.324tn metric tons in 1990.

The figures, published in the IEA's Coal Information 1991, are slightly lower than last year's estimates for consumption of 1.459tn tonnes by 2000. Both North America and most European countries now expect to consume less coal because of environmental concerns about the carbon dioxide released when fossil fuels are burned.

Coal's share of total energy consumption, which the IEA forecasts will grow by 1.4 per cent a year during the decade, will remain relatively stable at about 21 per cent. However, coal will slowly decline as a fuel for electricity generation, the IEA report says.

Electricity production in the OECD region should grow by 2.1 per cent a year until 2000, and the share of coal is expected to fall to 37.7 per cent by 2000 from 40.1 per cent in 1990. The OECD will have 1,823GW of generating capacity by 2000, of which 570GW will be coal-fired.

One important reason for this decline is the trend in Europe towards gas-fired power stations, which release less carbon dioxide and other gases than existing coal-fired plants.

However, the IEA said, the world coal trade will grow over the decade. By 2000, OECD countries will import 182m tonnes of coal compared with 128m tonnes in 1990.

"This is because indigenous coal industries in Europe are winding down," said Mr Ercan Tuzenmez, head of coal and electricity statistics at the IEA, yesterday. "They are generally uneconomic, and despite the social costs, they are winding down."

Freundin's weekly sales in east Germany, which briefly boomed to around 100,000 after the fall of the Wall, are now down to about 17,000 compared with 750,000 in west Germany.

Mr Henschel hopes to expand eastern sales to around 50,000 in five years' time as economic and social disparities between east and west gradually subside.

In the meantime, he is adding special supplements to Freundin copies sold in east Germany - informing readers not how to spend their money, but how to hold on to their jobs.

Moscow and UK treasury staff swaps

By Rachel Johnson, Economics Staff

BRITAIN and the Soviet Union have agreed a series of staff swaps between the UK treasury and Moscow's finance ministry, treasury officials said yesterday.

Soviet economists would enter the treasury for a trial six-month period to be shown how a developed market economy is administered.

Mr Norman Lamont, the UK chancellor of the exchequer, has agreed in principle to a series of exchanges which would involve sending Russian-speaking treasury staff to the equivalent finance and economics ministries in the Soviet Union. The plan was one of several agreements which have emanated from Mr Lamont's trip to the Soviet Union, which ended at the weekend.

The UK chancellor developed plans for British companies to give advice on privatisation, along with a "favourable response" to the Soviet suggestion for a foundation for Russian students to study economics at Cambridge. He listened sympathetically to a request from Mr Boris Yeltsin, president of the Russian federation, for farm and food processing equipment, and management training, the treasury said.



Lamont: exchanges

Bonn's public officials may lose the right to jobs for life

By David Goodhart in Bonn

MANY German public officials face losing their unusual status as *Beamte*, under which they cannot strike and cannot be sacked. Their sought-after status is likely to go in an attempt to increase the competitiveness of public corporations.

A powerful alliance of bosses from those public corporations, which face competition from the private sector - such as the federal post and federal railways - are lobbying for an end to *Beamte* status so they can restructure their organisations to meet that competition.

Mr Christian Schwarz-Schilling, the post minister, said at the weekend that introducing normal pay and conditions into parts of the telephone and postal service was "a task for this legislative period".

Chancellor Helmut Kohl, with an eye on the mainly conservative political affiliation of the average public official, does not yet go along with his post minister or with Mr Heinz Dürr, the former chief of ASG, who is trying to reorganise the heavily loss-making railways.

Several leading Social Democrats have spoken out in favour of ending the special status for some workers in the public corporations and a cross-party consensus could be

established for a limited abolition.

Although one motive for ending the *Beamte* system is to make it easier to sack people, another is to pay people more. At the higher management and technical levels in the telephone service it is increasingly difficult to get properly qualified people because *Beamte* pay scales must be observed.

There are about 5m *Beamte* officials, including policemen, teachers, civil servants, and post office workers. Their pay does not yet go along with the private sector rates but they have a complete job security and special pension rights.

Mr Hans-Wolfgang Pfeiffer, chief executive of the FAZ, admits that his densely-worded conservative paper is incomprehensible to most people east of the Elbe. He points to the astonishing brand loyalty of east German readers to traditional local newspapers formerly run by the SED, the East German communist party.

Reflecting strong regional identity rather than ideology, many east Germans are highly reluctant to abandon publications in which their families may have been subscribing for a generation or more.

Most west German press groups seeking to establish a foothold in the east have been confronted with two choices. They have had to decide between bidding for parts of the former communist press, which was one of the first economic sectors to be offered for wholesale privatisation, and launching new products specially adapted to east German tastes and incomes.

Berlekmann, the west German media giant which has strong hopes of using unification to increase its

market currently demands two types of publication but we don't want to launch a second class paper for the east - Eberhard Henschel, editor of the women's magazine *Freundin*

newspaper activities, has followed both options. It has teamed up with Mr Robert Maxwell, the British newspaper magnate, to take over from the SED the *Berliner Zeitung*, a morning newspaper serving the eastern part of the capital. The acquisition price included a payment of DM200 for each one of the newspaper's 300,000 subscribers.

Gruner und Jahr, Bertelsmann's publishing subsidiary, has also been experimenting with special east German editions of products which are too expensive or demanding for easterners.

Gruner und Jahr's glossy life-style magazine for west Germans, *Schöner Leben* (Beautiful Living) is much more down-to-earth in its lower-price eastern version: revealingly, it is called simply *Leben* (Living).

German job losses fewer than feared

THE number of people out of work in eastern Germany was more than 1m in July, but the monthly rise was lower than expected because of job creation programmes and more employment in the building and services sectors, Reuter reports from Bonn.

Government officials said 225,000 east German workers lost their jobs in July, boosting unemployment in the depressed eastern region to 12 per cent from 9.5 per cent.

West Germany's unemployment rate also rose in July from June, with 100,000 workers losing their jobs as the pace of economic growth in the western economy slowed, they added.

But officials said the number of east German jobless reached 1,077m, up from 948,000 in June. They noted the increase was sharply below early forecasts that 800,000 workers would lose their jobs once one-year no-redundancy agreements expired.

They said the total jobless number in western Germany reached nearly 1.7m after 1.59m in June, with the unemployment rate rising to 6.3 per cent from 5.9 per cent.

Economists had initially painted a gloomy picture of the east German labour market in July, predicting a surge of unemployment, and no-dismissal pacts in the key metal and chemical industries expired on June 30.

Mr Böhm, a former editor of *Der Spiegel*, the Hamburg-based news magazine, who is now publisher of the *Berliner Zeitung*, admits that it will be difficult to cast off the newspaper's "red" image. But its circulation has remained surprisingly steady at just below 300,000.

Mr Böhm's goal is to turn it into the Washington Post of the German capital. But first he must woo western readers away from his main west Berlin competitor, the stodgy provincial *Der Tagesspiegel*.

Mr Böhm has hired a number of western journalists who earn twice the pay of their eastern colleagues - causing inevitable friction. "They both sit at one table and the easterners say to himself that the westerner is good, but not twice as good," Mr Böhm explains.

At the popular end of the market, attention has concentrated on a tussle for supremacy between Bild and the new east German Super tabloid launched last year by the Burda publishing concern and Mr Rupert Murdoch, the Australian media tsar. Super has made great efforts to pander to the east German desire to wallow in self-pity over the economic effects of reunification.

The newspaper has been criticised even by some voices within the Burda group for its cliché portrayals of east Germans as innocent victims of rap-

Doubt on future of Polish minister

POLAND'S finance minister, Mr Leszek Balcerowicz, indicated yesterday he might consider stepping down after parliamentary elections in October, agencies report from Warsaw, quoting the official PAP news agency.

However, in conflicting reports from Warsaw, a government official said later that Mr Balcerowicz was not ruling out further government service, only that he did not "strive" for any office.

"I will not run for parliament and I do not aspire to any office in a future government", PAP reported Mr Balcerowicz as saying.

Mr Balcerowicz steered the country from communism towards a free market economy. His tough austerity policies made him the main target of anti-government protests.

Albania set to give land to peasants

Albania is to start measuring out land this week to return to peasants dispossessed during Stalinist rule, Mr Mehmedin Dumani, the agriculture minister, said yesterday, Reuter reports from Tirana.

He said the exercise was part of final preparations to return land to peasants by mid-September in time for autumn sowings, a vital deadline given desperate food shortages in what is Europe's poorest state.

Kohl agent on spying charges

A female intelligence agent who once prepared top-secret reports for Chancellor Helmut Kohl has been charged with spying for former East Germany, the federal prosecutor's office said yesterday, Reuter reports from Bonn.

Ms Gabriele Gast, 48, was recruited in 1968 by a Stasi agent, the office said. She began working for the West German intelligence service in 1975 and became a senior official, with access to highly sensitive documents.

Basque threats delay Spanish trains

Trains between Madrid and northern Spain were delayed again yesterday after a third threat from Basque separatists to bomb railway lines throughout the country during August, official told Reuter in Madrid.

Austrian flood death toll rises to five

The death toll from Austria's worst floods for more than 40 years rose to five after a year-long drought south of Vienna, police said yesterday, Reuter reports from Vienna.

The Danube and its tributaries were among the worst hit by the flooding. Chancellor Franz Vranitzky said federal states would receive Schödlan (S77m) immediately to help cover the cost of damage.

Refugees queue to go to Germany

An increasing number of people from central and eastern Europe are seeking political asylum in Germany, the Federal Office for the Recognition of Foreign Refugees said yesterday, Reuter reports from Bonn.

It said 112,828 people from all over the world had applied for asylum in the first seven months of this year, 15 per cent more than in the same period last year. The percentage of central and eastern Europeans had reached 58.3 per cent of the 22,073 asylum applications received in July.

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WORLD TRADE NEWS

Congress ready to tie aid to US contracts

By Nancy Dunne in Washington

CONGRESS is close to passing legislation which would boost US exports by targeting millions of dollars in US aid funds towards foreign infrastructure development.

The US funds - called "tied aid" - would have to be used to buy American goods and services. This would represent a major shift in the US foreign aid programme.

The legislation reflects impatience in Congress with the failure to limit tied aid funds under the Organisation of Economic Co-operation and Development. It was approved in the Senate last week by 99-0.

Senator David Boren, one of four powerful Democrats sponsoring the legislation, insists that the other industrialised countries have been increasing the percentage of their aid "going out in the form of credits instead of in the form of cash."

He has not seen "one single change by other countries in our direction."

Also sponsoring the legislation is Senator Robert Byrd, chairman of the Senate Appropriations Committee, Senator Lloyd Benenise, chairman of the Finance Committee, and Senator Max Baucus, chairman of the Senate subcommittee on international trade.



Republican Senator Robert Dole: gave key support

They were given key support from Senator Robert Dole, the Republican leader, and other influential Republicans.

Under the legislation, funding for capital projects by the Agency for International Development (AID), the US foreign aid agency, would rise from \$500m (238m) this year to \$750m in fiscal year 1992 and to \$1bn in fiscal year 1993.

These grants could be combined with financing offered by commercial banks and other private financing agencies.

At the same time, AID would be forced to reduce the cash

transfers it has been making for foreign assistance to 60 per cent of its budget next year and then to 50 per cent in fiscal 1993.

Eastern Europe, which the administration has sought to establish as a "tied aid free zone" would get special attention under the legislation, although AID would not be required to make tied aid available in the region.

The legislation calls on the administrator of AID to:

• Undertake a comprehensive study of the infrastructure in eastern Europe, identifying those sectors in most need of rebuilding.

• Establish an eastern Europe programme within the capital projects office of AID to monitor infrastructure needs and help US companies get contracts.

Particular emphasis is placed on helping US high technology firms to seek out opportunities.

Under the legislation, if a new agreement to limit tied aid is not reached within the OECD talks by the end of this year, the administration must submit a report to Congress on the status of the negotiations along with the "causes for the failure to reach an agreement by that date".

Traders draw lessons from banana saga

John Ridding on the uneven and difficult process of opening South Korea's markets

Over the past few months South Korean consumers have been going bananas. The lifting of quotas on the fruit earlier this year prompted a surge of imports and a frenzy of consumption. Cans stacked high with bananas appeared on virtually every downtown street corner as trading companies scoured Asian and Latin American markets for more and more of the produce.

But 300,000 tons later, Korean consumers have had their fill. Demand has peaked and prices have fallen by almost 50 per cent since the start of the year. Many importers have been forced to re-export their banana cargoes, or destroy them.

The banana saga provides a number of lessons. It shows that the process of opening Korea's markets is likely to be an uneven and often difficult process. It demonstrates to consumers that the removal of trade barriers results in lower prices. But most importantly, it shows that the process of liberalisation really is under way in Korea.

The opening of many of South Korea's markets for goods and services - from beef to banking - is one of the factors behind a sharp deterioration in the country's trade balance. Figures released last week showed a current

account deficit of \$5.84bn for the first six months of this year - the worst half-year figures recorded. Bananas alone represented \$145m of imports, almost 10 times the amount in the first half of 1990.

The rapid deterioration in the current account, which just two years ago registered a surplus of \$3.1bn, has raised concern that the brakes will be applied to the liberalisation process.

"Imports are killing us," said a front page story in the Chosun Ilbo, one of Korea's leading dailies. "We're floating in foreign goods of all description."

But government officials reject such thinking. "Some groups worry about the effects of liberalisation but we are not going to change our policies," says Mr Yu Deuk Hwan, assistant minister for trade.

There are several reasons why Mr Yu is to be believed. For one thing, the surge of imports has in several respects been in Korea's own interests.

Almost one-fifth of the \$40bn of imports in the first half were of capital goods and machinery necessary to increase the efficiency of Korean industry and revitalise its export machine.

At the same time, increased imports of consumer goods, particularly agricultural products, have helped keep the lid

on inflation which has been heading for an annual rate of 10 per cent and which has been designated this year's number one economic problem.

The top economic policy-makers remain in favour of liberalisation. "Of course there are protectionist sentiments in some of the ministries," says one senior trade official, "but the weight of opinion in the presidential office and in the Economic Planning Board is in favour of freeing up markets."

But this is not to say that the process of opening up Korea's markets will always be as smooth or as rapid as trading partners may like.

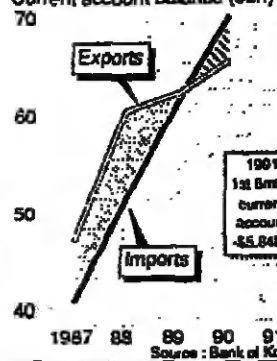
Although his counterparts in the US and the EC would likely agree with Mr Yu's assertion that trade relations have improved since the spats of last year, there remain several areas of friction.

Many are old chestnuts. The dispute with the UK over discriminatory tariffs on whisky, the demand by the EC that it be given the same protection as the US in the area of intellectual property rights and the stalemate on the opening of Korea's highly protected rice market, have all seen little progress.

At the same time, some of Korea's trading partners must be feeling somewhat left out of the trend towards freer markets. In particular, the growing

S. Korea trade

Current account balance (\$bn)



Source: Bank of Korea

trade deficit with Japan, which rose to \$3.5bn for the first five months of this year, will limit any easing of existing trade restrictions on Japanese products.

Currently Korean industry is barred from importing some Japanese capital goods and machinery in an attempt to reduce the country's economic dependence on Japan and to curb the trade deficit.

"This is not in line with GATT," admits a senior Korean trade official. "The Japanese complain, but they must be aware of their large trade surplus with us."

Similarly many of the Japanese consumer electronics products and cars which have flooded western markets are

barred from South Korea.

Restrictions on imports from Japan also undermine the significance of other liberalisation steps implemented by the government. In particular, the opening of the distribution market from July 1 - which allows foreign companies to operate 10 retail outlets - is less meaningful in the light of restrictions on Japanese consumer goods.

None the less, the decision to open the distribution market shows the direction in which policies are moving.

In turn, Korean companies are reading the writing on the wall and are responding. Samsung and Goldstar, Korea's two largest electronics companies have been introducing new products and improving services.

Prices too have fallen. The removal of a special government excise tax - in response to the prospect of increased competition from overseas - means that a Goldstar Camcorder costs 18 per cent less than it did a few months ago, and compact disc players are 15 per cent cheaper.

In all these steps, from banana imports to opening the distribution market, the consumer is the obvious winner. And the more the Korean public gets a taste for foreign products the harder it will be to go back on liberalisation.

Sri Lanka orders 6 Airbus airliners

AIRBUS INDUSTRIE has announced that Sri Lanka, the Sri Lankan national carrier, has placed firm orders for five long-range A340-300s and for one single-aisle A320. Reuter reports from Paris.

Air Lanka has also taken an option on one single-aisle A320.

The carrier said that deliveries of the A340s were scheduled for between spring 1994 and late summer 1995, while the first of the A320s was due to be delivered at the end of 1992.

Industry sources said that the value of the seven aircraft

was about \$594m (\$347m), with the A340's list price about \$100m and the A320's list price about \$42m. An Airbus spokeswoman declined to comment on the price of the contract.

Airbus said in a statement that Air Lanka would use the A340s on its long-haul international network, offering a non-stop service from its Colombo base to Europe, Australia and Japan.

Airbus said it had a total of 245 firm orders for its A320 and A340 widebody jets, while firm orders for the A320 and A321 family now stood at 793.

Cocom rules will be reviewed, say Soviets

PRESIDENT George Bush has agreed in principle to review Cocom rules restricting the sale of high-technology western goods to Moscow, a senior Soviet official was quoted as saying, Reuter reports from Moscow.

The official news agency Tass quoted Mr Vladimir Shcherbakov, first deputy prime minister, as saying the matter was discussed during Mr Bush's summit talks with President Mikhail Gorbachev in Moscow last week.

Cocom, the Paris-based Co-ordinating Committee for Multilateral Export Controls, was set up in 1949 to prevent the export to the Soviet Union or its communist allies of technology which could be used for military purposes.

The restrictions have been modified but they remain largely in force despite the end of the Cold War and the collapse of communist rule in

most of eastern Europe. Mr Shcherbakov, deputy to Soviet Prime Minister Valentin Pavlov, stressed the importance of reviewing the Cocom list for the future of western investment in the Soviet economy.

"Unless the Cocom list is withdrawn, our investment co-operation with the west cannot be serious," he said.

"Unless this problem is resolved, products manufactured by joint ventures cannot be competitive. Not a single western enterprise will invest in obsolete production. We reached mutual understanding that the Cocom restrictions are unjustified in current conditions. President Bush said in principle that it was time to take action to resolve this problem," Mr Shcherbakov said.

Mr Shcherbakov said it was too early to say which restrictions could be withdrawn.

Rover cars for Siberia in £50m barter deal

By Paul Cheeswright, Midlands Correspondent

ROVER, the UK carmaker which is launching its Montego and Maestro models in the Soviet Union, is to finance the deal through a barter arrangement worth up to £50m brokered through Orbicom, the Anglo-Soviet trading company based in Shrewsbury.

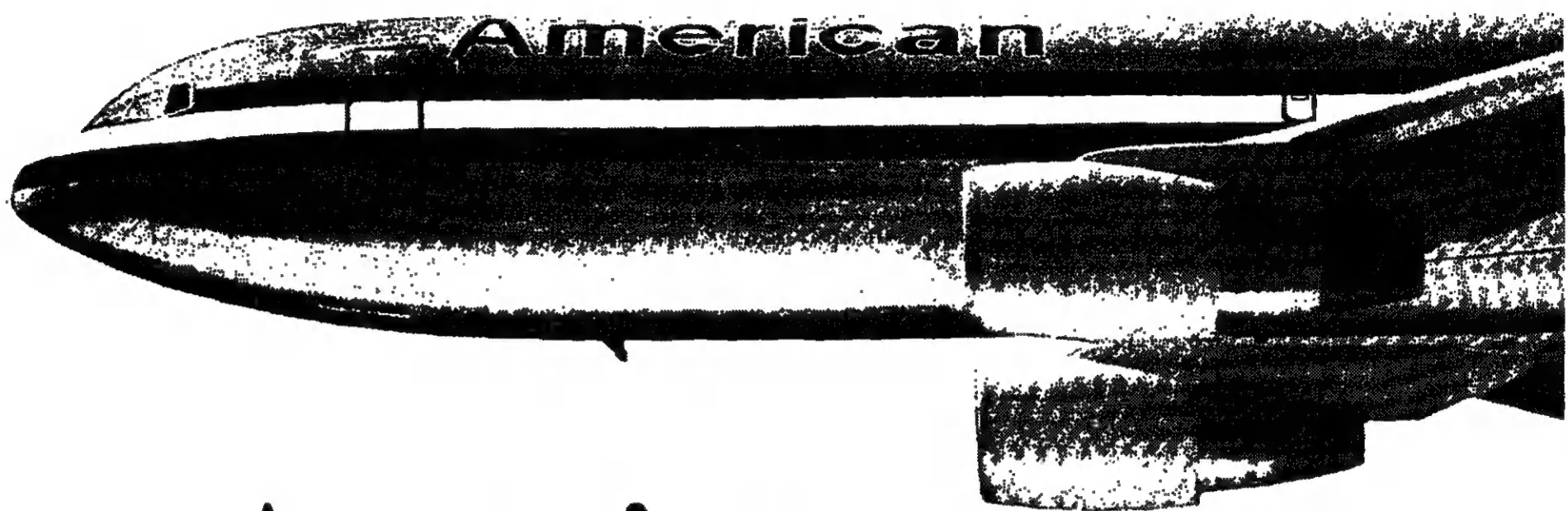
Orbicom has obtained an order from the regional government of Siberia for 4,500 vehicles, each of which has a British showroom value of up to £10,000. But Rover will manufacture the cars to specifications which take into account Siberia's extreme climate and the uneven roads.

Mr Mark Jones, the managing director of Orbicom, yesterday explained that the

Siberian regional government would pay Orbicom with liquid natural gas while Orbicom would sell this gas on the open market in order to pay Rover.

Rover described the sales arrangement as "very much to the water," noting that under present trade regulations it was barred from selling cars directly in the Soviet Union.

Orbicom, however, has signed a protocol with NAMI, the Soviet organisation responsible for controlling the standards of imported cars and the conditions of their sale. This provides for the establishment of a Rover test centre in Moscow and for the basis of a retail distribution network.



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INTERNATIONAL NEWS

HK studies plan for rail link to China

By Angus Foster in Hong Kong

HONG KONG is studying proposals to build a new freight rail link from the colony's container port to China.

The railway, which would probably not be completed this century, could form an important transport link through China's southern provinces and into the country's hinterland.

The Kowloon Canton Railway Corporation (KCRC), the government-owned operator of overland rail services in Hong Kong, has appointed two consultants to examine engineering and financial aspects of the link. This follows agreement last month between Britain and China on Hong Kong's HK\$385.6bn new airport and related infrastructure projects.

The consultants will study two locations for freight terminals, one at the existing Kwai Chung container port and the other on the island of Lantau, where the new airport and future port development will be based. The Lantau option would be more expensive as it would need a bridge crossing to the new port developments, for which a rail link has already been planned.

Hong Kong is the world's second largest container port while China is the colony's biggest trading partner, taking 25 per cent of the colony's total exports and supplying 37 per cent of its imports last year.

But only about 10 per cent of cross-border trade is carried by rail as the existing line - running along Hong Kong's west coast - is almost fully utilised during the day by passenger trains. Most trade with China is carried by road or sea and river traffic.

A preliminary government study in 1989 dismissed the freight link as economically unviable. But with the growth of Hong Kong-China trade and moves by China to upgrade its rail system, the KCRC now believes the link would be profitable.

China has been consulted but has not yet agreed to the project or indicated where a freight terminal on the Chinese side would be located.

Police consider role for Gurkhas

HONG KONG'S police force is to consider recruiting Gurkha soldiers facing redundancy, in an attempt to stem police recruitment problems, writes Angus Foster.

Mr Tom King, British defence secretary, announced last month plans to cut the Gurkhas' strength from 10,000 to 5,000 in Hong Kong, to 2,500 by 1997.

The Royal Hong Kong Police Force is short of about 1,900 officers.

Party to capitalise on Pretoria's loss of stature after Inkathagate

ANC presses for early start to negotiations

By Philip Gawth in Johannesburg

THE African National Congress (ANC) has given clear notice of its desire for an early start to constitutional negotiations as it seeks to capitalise on the South African government's loss of stature in the wake of the Inkatha funds scandal.

Having previously maintained that constitutional talks could not start until the issues of exiles, political prisoners and violence had been resolved, the ANC now argues the best way to address these topics is by having an unbiased interim government in place.

This would follow from a multi-party conference, which the ANC would like to see taking place as soon as possible. The earlier demands remain, but they are no longer seen as reasons to delay the start of talks.

Mr Patrick "Terror" Lekota, a member of the ANC national working committee (NWC), says the change in tactics results from the slush fund scandal which undermined the ANC's faith that the government was willing and able to remove obstacles to negotiation.

The organisation concluded it was not wise to "predicate the start of the negotiating process on what the regime was

capable or not capable of doing".

Further evidence that the ANC is preparing itself for negotiations came with the weekend announcement on the structure of the NWC, the group's inner cabinet.

The most significant feature is that Mr Cyril Ramaphosa, recently elected secretary-general, is to be released from day-to-day responsibilities of running the ANC in order to "convene" a powerful negotiating team consisting of himself, Mr Thabo Mbeki, Mr Joe Slovo and Mr Mohammed Valli Moosa.

The composition of this team, which includes some of the ANC's leading personalities, illustrates the ANC's seriousness of purpose and probably marks the end of the tactical distance which the government has established over the past 18 months.

Although the ANC and Pretoria disagree about the extent of powers an interim government will enjoy, there is agreement over the need for "transitional arrangements".

The ironic outcome of the Inkatha affair is that despite being a low-point in government/ANC relations, it has hastened the start of substantive talks about a new constitution.

Manila captures top rebel leader

By Greg Hutchinson in Manila

PHILIPPINE police captured the country's top communist guerrilla leader yesterday in a Manila hospital.

The arrest of Mr Romulo Kintanar, chief of staff of the New People's Army (NPA), and his wife, Ms Gloria Jopson, also a party member, weakens an insurgency group which has seen 10 key figures taken into custody recently.

Better co-operation between the police and military - which has the intelligence edge - is credited for the upsurge in arrests. The Kintanar couple were seized at the Makati Medical Centre where, according to policemen, they had been undergoing cosmetic surgery.

On television after his arrest, the 42-year-old outlaw said he was at the hospital for blood pressure and eye checks. He had puffy cheeks and wore a recent perm. According to one arresting officer who knew him from a previous encounter, Mr Kintanar had already had surgery on his nose.

The man - a classical pianist - is one of the most colourful members of the communist movement. Mr Kintanar returns to jail nearly three years after escaping by persuading his jailers to let him out for a birthday party.

Mr Kintanar pioneered NPA urban assassinations on the southern island of Mindanao in the 1970s. In 1987 he was believed to have assumed command of the NPA.



Guerrilla chief Romulo Kintanar after his arrest yesterday. His capture is a blow to the insurgent New People's Army

Iraq admits germ warfare tests

IRAQ HAS admitted it briefly carried out experiments in germ warfare but said work ceased soon after the start of the Gulf crisis last year. Our Middle East Staff writes.

A Foreign Ministry spokesman said yesterday a United Nations inspection team had been informed there was a laboratory for biological research for military purposes sited within a general research establishment.

"Iraq dropped this biological research completely in autumn 1990 because of the possibility of an attack by the US and its allies," the ruling Ba'ath party newspaper al-Thawra quoted the spokesman as saying.

Under terms of the ceasefire imposed on Iraq after its Gulf war defeat at the end of February, Baghdad must declare and scrap all weapons of mass destruction.

Iraq denied having biological weapons on May 14 in a declaration to the UN special commission monitoring Iraqi observance of the terms of the ceasefire.

A team of UN inspectors looking for evidence of germ warfare research arrived in Iraq on August 2, a year after President Saddam Hussein's army marched into Kuwait. Iraq has handed back the first tranche of up to \$700m of gold looted from Kuwait, the emirate's Central Bank governor said.

Sheikh Salem Abdul-Aziz al-Saud al-Sabah said the hand-over began early yesterday at the Iraq-Saudi border post of Arar.

All the missing bullion - 3,216 gold bars with a value of between \$600m and \$700m - had been accounted for, Sheikh Salem said.

Up to \$100,000 payments for victims of invasion

PAYMENTS ranging from \$2,500 to \$100,000 for victims of Iraq's invasion of Kuwait have been recommended by the governing council of the compensation fund set up by the UN, writes William Halliwell in Geneva.

But Mr Philippe Berg, council chairman, said yesterday no payments could be made until the UN sanctions committee decided Iraq could restart oil exports. At present the compensation fund had no money.

Under UN Security Council resolution 687, which Iraq has accepted, Baghdad is liable to make good individual, environmental and industrial losses resulting from its occupation of Kuwait.

The Security Council stipulated Iraq must pay part of its oil revenues to the compensation fund. Mr Javier Pérez de

Cuellar, UN secretary-general, has suggested this should be fixed at 30 per cent, but no limit has yet been set.

Mr Berg said a payment of \$2,500 would be made to any person who had to leave Iraq or Kuwait between August 2, 1990 and March 2, 1991; suffered serious personal injury; or whose spouse, child or parent had died.

For deaths or personal injury, priority would be given to larger claims for up to \$100,000 per person for loss of income, support, housing, medical expenses or costs of departure. The International Committee of the Red Cross said yesterday it wanted to obtain as quickly as possible information on the names and graves of thousands of Iraqi soldiers killed in the Gulf war.

S African maritime court to inquire into sinking of liner

By Philip Gawth

THE South African government has appointed a maritime court to investigate how the Oceanos passenger liner, which was carrying 580 people, sank on Sunday.

The cause of the accident, which occurred off the Transkei coast, is not yet clear, although Mr Yannis Avranas, the ship's captain, is reported to have said that an engine piston burst, piercing a hole in the ship, and it was this which later caused the liner to sink.

Officials of the TPC group, which chartered the Greek-registered ship from Epitrotiki Lines, its owner, for a cruise from East London, said yesterday that all passengers and crew were safe and accounted for.

Passengers have praised the rescue efforts of the South African air force and various merchant ships which went to the Oceanos' aid. The liner had run into trouble near Coffee Bay late on Saturday night.



Avranas: 'a piston burst caused ship to sink'

The incident is the largest involving shipping off the South African coast since the Second World War.

The rescue effort, involving 13 helicopters and three aircraft, was also described as the largest mounted in the country.

However, the captain and

Boat people talks resume tomorrow

By Angus Foster in Hong Kong

BRITAIN and Vietnam are due to resume informal talks in Geneva tomorrow on setting up internationally-managed holding centres in Vietnam for Vietnamese boat people now camped in Hong Kong.

Hong Kong and Britain hope the centres could relieve Hong Kong's overcrowded camps and provide a way around US objections to sending non-volunteers back to Vietnam. More than 62,000 boat people are in Hong Kong. Less than 6,000 have been approved as genuine refugees.

British diplomats reported "encouraging progress" with Vietnam in earlier talks, also being attended by representatives from the UN High Commission for Refugees and the International Organisation for Migration.

But Vietnam has yet to agree to the principle of setting up international centres on Vietnamese territory. Aid workers in Hong Kong point out many boat people will only return to centres in Vietnam if

they are forced to, and that would ignite US opposition to the scheme. Few in Hong Kong believe the centres can solve the boat-people problem, since that depends on improving Vietnam's economic outlook.

More than 15,000 boat people have landed in Hong Kong this year, the most since 1989 when 34,505 arrived. Warnings have been sounded of violence in the camps and calls for the scrapping of Hong Kong's policy of "refugee status" under which all boat people have been turned away. Some of the calls have been designed to placate angry local opinion.

Officials in Hong Kong have always maintained first asylum would not be abolished unless the camps became unmanageable. Even then, the Hong Kong and UK governments may be reluctant to cancel the policy because of the potential outcry. Hong Kong wants agreement with Vietnam quickly, so centres can be in place in time for April, start of the next sailing season.

It is estimated that about 1,500 wrecks litter the shores.

AMERICAN NEWS

'Double-dip' thesis gathers pace

Michael Prowse examines the pattern of US economic recovery

ONE of the most sluggish economic recoveries in recent US history is probably still underway. But the odds of a relapse into recession are growing shorter as both industrial and monetary data begin to signal contraction.

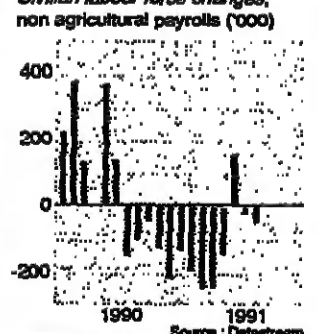
On Friday, news of a decline in payroll employment in July - the second successive monthly decline - shook the confidence even of pronounced optimists. On Wall Street, bond prices surged as traders betted that the Federal Reserve would be obliged to cut interest rates again, perhaps before the next meeting of the policy-making Open Market Committee on August 20.

The weak employment report was especially damaging to confidence because it seemed to corroborate a contradictory message from the US monetary aggregates. M2, a closely-watched measure of broad money, has actually fallen slightly since May and now languishes at the bottom of its 2.4-2.5 per cent target range. Many private sector economists worry that if the Fed does not move swiftly to revive monetary growth, the weak recovery will sputter out.

Mr Michael Boskin, chairman of President George Bush's Council of Economic Advisers, while conceding that recovery is still underway, shares their concern about the implications of stagnant monetary growth. "Unless money growth picks up very soon, the Fed will have to act," he said in an interview. The White House wants to see M2 growth rapidly restored to at least the centre of its target range. Sentiment in financial markets has shifted rapidly. A month ago, the "double dip"

US Employment

Civilian labour force changes, non agricultural payrolls ('000)



Source: Department of Commerce

thesis - the notion that the economy would decline a second time later this year - had few adherents. The consensus was firmly in favour of sluggish but steady recovery: growth of 2.3 per cent rather than the 5-7 per cent typical in the first year of US recoveries.

But confidence was eroded by a series of weak statistics. The economic rebound in the second quarter was milder than expected: real gross national product grew at an annual rate of only 0.4 per cent, having fallen at 2.5 per cent and 1.6 per cent in the preceding two quarters. Factory orders - a leading indicator of production - unexpectedly fell in June.

Consumer confidence slipped last month, having moved sideways since rebounding at the end of the Gulf war. A steady decline in claims for unemployment insurance began to reverse in mid July, raising doubts about job prospects.

Friday's employment report crystallised these doubts. The drop in the unemployment rate to 6.8 per cent from 7 per cent in June gave a misleading

impression of underlying trends. The worry was not just a 51,000 drop in non-farm jobs (following a 21,000 contraction in June) but a shrinkage of the average work week, from 34.5 hours to 34.1 hours. The length of the work week is regarded as a reliable indicator of business activity.

But recent data, while disappointing, by no means guarantee an economic relapse. Employment has often fallen in one or two months following the onset of recovery. The declines in June and July, moreover, were too small to be significant. The latest interpretation of events is that the labour market has stabilised after a sharp contraction in the winter and early spring. Meanwhile other statistics remain mildly encouraging.

The purchasing managers' index - a closely-followed gauge of industrial activity - rose in July for the sixth consecutive month. The Commerce Department's composite index of leading indicators so far provides no hint of a "double dip" in June if registered in the fifth successive monthly increase. Industrial production has risen three months running. Sales of new homes rose sharply in July, suggesting that the housing recovery is still underway.

Looking back, two things are clear. The end of the Gulf war, falling oil prices and sharp cuts in interest rates boosted consumer confidence and stabilised the economy in the second quarter. At the same time sharp cuts in inventories (especially in the car industry) brought stocks of goods into line with demand, prompting a revival of production.

The question is whether the fragile momentum of recovery



Boskin: confident

can be sustained. Mr Boskin's answer is a confident yes. "Mixed data are common in the early stages of recovery," he says soothingly. He has a right to be taken seriously, having so far produced uncannily accurate forecasts. GNP in the second quarter, for example, was within a few hundredths of a percentage point of the White House forecast.

But the increasing pressure being brought to bear on the Fed suggests the confidence is only skin-deep. Credit constraints continue to bite in some sectors and regions. States and local governments are busily retrenching. Personal savings rates are very low, making a sustained recovery of consumption wholly dependent on employment growth - which is stubbornly negative. Sluggish economic growth is still likelier than no growth, but the call is getting too close for comfort.

Contracts for F-22 fighter

By Martin Dickson in New York

THREE aerospace groups - Lockheed, Boeing and General Dynamics - were yesterday awarded a \$3.55bn (\$5.7bn) contract for development of the F-22, planned to be the next generation of radar-evading US jet fighter aircraft.

Lockheed and its partners were selected by the Air Force to develop the F-22 in April, defeating a team led by Northrop after a five-year competition. The contract could ultimately be worth \$85bn, which would make it the largest yet defence deal.

Lockheed said the initial contract called for refinement and completion of the aircraft's internal and external configuration and production of nine single-seat and two tandem-seat aircraft. The first flight of the initial aircraft is scheduled for mid-1995.

Inflation slows in Argentina

The monthly inflation rate in Argentina tumbled to a five-year low of 2.6 per cent in July, compared with 3.1 per cent in June, the government has announced, writes John Barham in Buenos Aires.

This follows efforts by Mr Domingo Cavallo, the economy minister, to balance the budget and avoid printing money to finance overprinting.

Prices this year have risen 74.2 per cent, although the rate of increase slowed sharply in April when Argentina adopted anti-inflation legislation that tied the exchange rate to the US dollar.

Homicide risk in US has doubled over 30 years

Senate detects rise in murders

By Peter Riddell, US Editor, in Washington

NEARLY 24,000 people are likely to be murdered in the US this year, a slight increase on 1990, according to the upward trend of the past four years.

A Senate judiciary committee report predicts, on the basis of first-half trends, that 23,700 people will die as a result of homicide in 1991, an increase of 280 over the previous year.

There is a highly uneven geographic pattern with 21 states facing increases in murders, 18 states showing a decline and 11 states plus Washington DC reporting little change.

No one is quite sure why these variations are occurring. For instance, in Michigan, including the particularly violent city of Detroit, the number of murders is projected to drop by 13 per cent to 350 and by 18

per cent to 1,140 in Florida, while in Texas a 12 per cent rise to 2,690 is forecast.

Senator Joe Biden, chairman of the judiciary committee, blamed drugs and the mayhem caused by hard-core drug addicts and dealers; readily available military-style assault weapons; and demographics, fuelling a growth in violent teenage gangs.

The senator argued that these projections underlined the need for passage of pending legislation for a waiting period for handgun purchases and a ban on military-style assault rifles.

However, the pro-gun lobby, led by the National Rifle Association, says only one-half of one per cent of homicides are committed with semi-automatic rifles and points to the drop in murders in several states as evidence that there is no direct correlation between the availability of guns and killings.

The risk of being murdered has doubled over the past 30 years but the forecast rate for 1991 - 9.5 per 100,000 people - is short of the record of 10.5 set in 1980.

The highest rate is in Washington DC where murders average more than 80 per 100,000 people.

OBITUARY: DEAN BURCH

Republican and Intelsat chief

MR Dean Burch, 68, director general of Intelsat, the international telecommunications consortium, and a former Republican party official, died on Sunday of cancer.

His death leaves Intelsat without an elected head at a time when it is undergoing far-reaching changes. New members have been joining - including, most recently, the Soviet Union - and the organisation has had to cope with increased competition from fibre-optic cable and separate satellite systems.

Mr Mohamed Mulla, chairman of Intelsat's board of governors, praised Mr Burch for

his "wise and pragmatic leadership over the past four years". President George Bush hailed him as a "personal adviser and counsel" for many years who had helped in political campaigns, in "governing and in various aspects of our family life".

Mr Burch, a conservative Republican lawyer, came to prominence when most of the party was more moderate. He headed the Republican National Committee during the disastrous presidential campaign of Senator Barry Goldwater in 1964. He later became a lobbyist for Richard Nixon and Gerald Ford.

He served as chairman of the Federal Communications Commission from 1969 to 1974 and held other posts in the field of telecommunications.

The Intelsat board is to meet in September to decide on procedures for choosing a new director general. Mr Burch had been elected to a six-year term, which expires in April 1993. It is possible that Mr John Hammon, the deputy director general for operations and engineering, an Australian, will serve as acting head of the consortium until the current term is completed.

Nancy Dunne

THE BCCI SHUTDOWN

BANK FOUNDER

Raid reported at Abedi's London home

By Andrew Jack

THE LONDON home of Mr. Agha Hasan Abedi, the founder and former president of BCCI, has been raided by officials investigating allegations of fraud into the bank.

According to sources close to the family, the officials visited the house in north London last Friday evening and took away a suitcase of documents in a move which appears to throw Mr. Abedi back into the spotlight.

The sources believe the raid was conducted by the Serious Fraud Office. The documents are likely to have been taken to the SFO's headquarters in central London for examination.

The SFO, which announced that it was launching an investigation into BCCI on July 8, would neither confirm nor deny the raid. "We do not comment on operational matters," it said.

The files taken away are believed to include information on BCCI and the CMC, the Cayman Islands group controlled by

BCCI. The suitcase is believed also to have contained minutes of meetings between Mr. Abedi, Mr. Swaleh Naqvi, former chief executive officer of BCCI who is currently in Dubai, and Mr. Zaffar Iqbal, Mr. Naqvi's replacement, which put Mr. Abedi's views on record.

Friends of the Abedi family insist that the bank's founder, who lives in Pakistan, knew nothing about the alleged fraud and that he is the victim of others within the bank.

Mr. Abedi's house, which has a 24-hour guard, is at the end of a short cul-de-sac in Harrow-on-the-Hill. One neighbour said several unmarked white cars which she believed contained police had visited the house over the past few weeks.

The Bank of England notified the SFO of concerns about BCCI only when it closed the bank on July 5. It then passed a series of documents on to SFO officers.

SFO inquiries tend to focus on a small number of large and complex suspected frauds.

TOKYO

Emergency support for Japanese credit union

By Stefan Wagstyl in Tokyo

THE CLOSURE of BCCI has forced a small Japanese credit union to seek emergency support from two larger financial institutions.

The move is the most significant effect so far of the BCCI affair in Japan. Other depositors at the Tokyo branch of BCCI include big companies which seem large enough to absorb their losses.

Tokyo Shogin Credit Co-operative, which caters largely for Koreans living in Japan, disclosed it had a ¥12.5bn (\$83.9m) deposit at BCCI's Tokyo branch, which was closed at the same time as most of the rest of BCCI's worldwide operations.

In order to maintain depositors' confidence, Tokyo Shogin said it had arranged a line of credit from Daiwa Bank, a leading commercial bank, for ¥17bn and with the National Federation of Credit Co-operatives, the umbrella organisation of credit unions, for ¥10bn.

The support is a typical Japanese-style rescue in which stronger institutions rally around a weaker one.

WORLD ROUND-UP

Bangladeshi protestors demand money back

HUNDREDS of Bangladeshi BCCI depositors held a rally in Dhaka yesterday to demand their money back.

Many parents brought their children to the rally, organised by the BCCI Depositors' Association which has threatened to start a 10-hour daily hunger strike from today unless prompt action is taken.

Nearly 250 bank clients gathered outside the main Bangladesh branch of BCCI in the Motihel commercial district.

"It is now a month BCCI has been closed. How long can we wait?" a protester shouted. "We are small depositors, our survival is at stake."

Bangladesh Bank, the country's central bank, shut down BCCI on July 6, saying all operations of the bank would remain suspended in the public interest until further notice.

INDIA: Mr. Manmohan Singh, India's finance minister, will make a statement to parliament today on charges that aides of former prime minister Mr. Rajiv Gandhi held secret accounts in BCCI and that the bank helped senior government officials and industrialists move money out of the country.

The government has come under increasing pressure from Mr. Rajiv Gandhi, a member of the opposition National Front alliance, who says the government was aware of shush funds held in the Indian branch of BCCI.

The Indian Express newspaper reported on Saturday that the Senate sub-committee investigating BCCI was told that some Indian businessmen and aides of Mr. Gandhi held tens of millions of dollars in secret accounts with the bank.

EGYPT: The Egyptian central bank has dissolved the board of a BCCI affiliate and installed an administrator to try to shore up confidence in the local bank which has been hit by a run on deposits.

Mr. Abdel-Ghani Gamie, head of Egyptian-American Bank, said yesterday that his task as administrator was to protect the interests of depositors in the Bank of Credit and Commerce Misr (BCCM), which he described as "solvent."

Depositors withdrew some \$15m from BCCM, which is 51 per cent Egyptian-owned, in early July after reports of massive fraud involving the Luxembourg-based BCCI.

The local bank has put a ceiling of \$1,000 (\$588) on withdrawals for the time being. JORDAN: The country's central bank has given local banks first option to buy the three local branches of BCCI.

If one of the local banks does not make an acceptable offer by next Sunday, the central bank will allow another buyer to operate the bank under a new name.

The central bank made the offer at a meeting with representatives of seven local banks last Thursday.

One of the bankers at the meeting said: "We were given 10 days to decide whether anyone wants to make an offer. Whoever bids most will get it."

Bankers say a sale is possible. -because unlike BCCI branches in many other countries, the branches in Jordan are solvent.

The branches have total assets of JD79m (\$99.5m) and outstanding liabilities of JD20m.

LUXEMBOURG: The country's Monetary Institute has asked Abu Dhabi to compensate BCCI depositors in the Grand Duchy where the scandal-hit bank was based, Benter reports.

Mr. Jean Guille, institute director, said yesterday: "We sent a fax to Abu Dhabi last week asking that a similar [compensation] system to that in London should be set up in Luxembourg."

The move followed the establishment of a voluntary compensation scheme for BCCI depositors and employees in the UK funded by BCCI's majority shareholders, Abu Dhabi ruler Sheikh Zaid bin Sultan al-Nahyan and the Abu Dhabi government.

Meanwhile, the Dutch central bank denied that it had asked Abu Dhabi to compensate BCCI depositors in the country.



Sit down: BCCI depositors at the rally in Dhaka yesterday

SHORT-TERM DEPOSITORS

Company fears the loss of £1.5m pension trust fund

By Chris Tighe

AN ASIAN company fears it may have lost its entire £1.5m pension trust fund which was on deposit with Bank of Credit and Commerce International at the time of the bank's closure.

The Bhullar family, owners of Leeds-based Wetherby Fashions Ltd, invested the money for a short-term period to take advantage of BCCI's above-average interest payments.

The £1.5m represented much of the profits of the £12m-a-year turnover company, founded 16 years ago by Mr. Kawal Singh Bhullar.

Any employee who stayed with the company until retirement would have been eligible for pension payments from the fund, a non-contributory scheme, but the main beneficiaries would have been the Bhullar family.

The first victim of the possible loss is Mr. Bhullar senior, the 62-year-old founder of the wholesale clothing company, who retired two years ago. The pension payments he had been receiving from the fund have now stopped.

"It's been a very bad blow after all the hardship we've had; we have worked very

hard," said Mr. Bhullar's son Ajmal, "John" Bhullar, the managing director.

The family said they had been devastated to hear of BCCI's closure. "It was a very sad occasion."

Wetherby Fashions' business account is with National Westminster Bank, so the company's daily operations are unaffected by BCCI's closure.

The business made a one-off payment each year into the pension fund, which was moved between banks to benefit from higher interest rates.

The money, previously held in National Westminster Bank, had been placed with BCCI for nine months, and was due to be moved on August 1.

Mr. John Bhullar said the family were still trying to recover from the shock of their possible loss.

However, with business continuing as usual, he said he is confident that he and his father would not be forced to sell their cars with personal number plates - a cream Bentley for Mr. Bhullar senior and a grey Mercedes for his son. "Touch wood, things aren't that bad yet."

ASIAN BUSINESSES

Entire community is hit by closure

By Chris Tighe

VIRTUALLY no Asian business in Britain has escaped the adverse effects of the BCCI closure, says Mr. Narang Singh, founder and proprietor of one of the community's biggest businesses.

Mr. Singh, who operates a cash-and-carry warehouse in Bradford and a wholesale fabric company in Hayes, west London, can count himself lucky - he kept his main business account with Yorkshire Bank. Unlike many much smaller entrepreneurs in the Asian business community, therefore, he can continue trading as usual. He can also withstand the loss of part of the £23,000 he had in a BCCI account.

But his £15m-a-year turnover business, Narang Singh Ltd, is still affected by the bank's closure. Many of its customers banked with BCCI and are now suffering serious cashflow problems.

"There's nobody in the Asian community who isn't affected, directly or indirectly," he says. Some people, he adds, have also seized on the BCCI closure as an excuse for defaulting payment.

Mr. Singh's 18-year-old business is typical of many Asian enterprises in dealing widely with other members of the Asian community. He attracts customers - very many of them small shopkeepers - from a 20-mile radius around Bradford. Many of them have been affected. "They have come and asked for extended credit," says Mr. Singh. Do they get it? He smiles a little wearily. "It's part of the game."

Mr. Singh, who employs 70 people, is confident his business will not suffer as a result

of his customers' difficulties. But he is angry that this week's court proceedings did not lead to BCCI's winding up; he fears the four-month delay will simply prolong the agony. Customers who - had BCCI been wound up - would have received up to £15,000 will now be paid just £3,000 in provisional compensation.

The consequence, Mr. Singh fears, is that they will be unable to clear their debts until next year. He would have preferred to get £15,000 of his £23,000 now, instead of having to wait. "This means I've lost £18,000 instead of £8,000. And who is going to get the interest?"

Fellow Bradford businessman, Mr. Nirmal Singh, an active Conservative and prominent member of the local Sikh community, runs the wholesale Nirmal Razai Mart. Many of his customers banked with BCCI, though he personally had just £26 in a BCCI account.

Some of his oldest customers now owe him between £3,000 and £4,000 - and they have no prospect of obtaining credit with other banks since the deeds of their properties are held by BCCI as security.

"What can you do?" asks Mr. Nirmal Singh, who employs about 15 people. "You can't force your customers to pay straight away. You have to give them a chance. I can survive even if they don't pay me."

He estimates he is now owed around £20,000 by customers affected by the BCCI closure. "I keep asking them on the phone and writing letters. You can take them to court, but how can they pay the money when the bank has the deeds?"

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UK NEWS

HEALTH

US-owned hospital to cost £180m

PLANS to build a large US-owned private hospital in Scotland took a further step forward yesterday amid protests from opposition MPs.

Mr Ian Lang, Scottish Secretary, announced the £180m, 260-bed hospital will open in Clydebank, near Glasgow, in four years' time, creating up to 4,000 jobs.

The venture, which was first announced four years ago by Heath Care International, is planned as a high-technology operation for overseas patients only.

It will be run along the lines of a teaching hospital and will employ large numbers of consultants and physicians from the US and Europe.

But Mr Alex Salmond, leader of the Scottish National Party, demanded the government disclose how much public money had gone into the venture.

Mr Salmond said: "This hospital will be a constant reminder of how inadequate the NHS has become, compared to what money can buy for the rich."

Mr Charles Kennedy, the Liberal Democrat health spokesman, said the hospital could lead to a fragmentation of the state-run health service.

The hospital is modelled on big US university teaching hospitals, offering the latest facilities to patients from Europe and the Middle East.

Tories pursue health reforms

By Alan Pike, Social Affairs Correspondent

THE government yesterday stepped up efforts to make all hospitals in England self-governing trusts with a call to managers throughout the state-run National Health Service (NHS) to join a "gathering momentum of change."

A second wave of 113 hospitals and other services have applied to become trusts from next April - joining the first wave of 57 trusts which have been managing their own affairs since this April.

Mr Stephen Dorrell, junior health minister, yesterday wrote to all remaining eligible hospitals and services urging them to consider joining a third wave of trusts from April 1993.

Mr Dorrell's letter shows the government wants the trusts - which are run by their own directors with freedom from health authority control - to become the standard form of local NHS management. It also reflects political determination to maintain the momentum of this year's health reforms through the general election campaign, even though opposition parties believe the government is vulnerable on health policy.

By next April about one-third of NHS services in England will be run by trusts and Mr Dorrell says in his letter he is "confident that the third wave will result in the majority of NHS activity having been restored to local management and control."

Critics fear that competition between trusts will lead to bad



Seeking change: St Thomas' Hospital, opposite parliament, wants to manage its affairs

ly-balanced health care provision. This is a particular problem in London where four more of the capital's teaching hospitals - St Mary's, King's College, St Thomas and St Bartholomew's - joined the list of applicants yesterday.

Managers interested in joining the third wave of trusts have to express interest to the Department of Health by September 15. Community health and ambulance services, as well as hospitals, are eligible to apply.

Mr William Waldegrave, health secretary, will decide in the autumn which of the 113 hospitals and other services among the second wave applicants should be allowed to become trusts. Coopers & Lybrand, Deloitte, the UK accountancy firm, has been retained to advise on the financial aspects of the applications, but critics have accused the government of ignoring evidence that a number of first

wave applicants faced financial difficulties.

Opponents of trusts say they will be used to fragment health care provision and run the government's new internal market system of funding health care on more competitive, commercial lines.

The decision to press ahead with more trusts comes within a fortnight of a decision to begin operating the internal market on more competitive lines from next April.

Construction industry signals recession longer than forecast

By Andrew Taylor, Construction Correspondent

THE RECESSION in the UK construction industry, already severe, is likely to prove deeper and last longer than previously expected, according to the National Council of Building Material Producers.

Mr Ian Mackenzie, chairman of the council's forecasting panel and chief executive of Blue Circle's cement division, Britain's biggest cement manufacturer, said yesterday: "Prospects for this year and next are dreadful."

He warned that many more companies would close unless interest rates fell further encouraging investment in construction.

The Building Employers Confederation warned at the weekend that job losses in the industry since the middle of 1989 could reach 250,000 by next summer.

The National Council of Building Material Producers is one of the industry's foremost forecasting bodies, representing about 2,000 building material companies with a combined annual turnover of more than £20bn.

It said UK construction output this year was likely to decline by 11 per cent, the first reduction in annual output since 1981. Output was expected to fall by a further 5.5 per cent next year.

The council forecast in April that output this year would fall by only 8 per cent and would rise by 0.5 per cent next year, helped by a recovery in house sales.

Since then, however, the rally in new house sales in the spring has foundered, while

the commercial property sector remains deeply depressed.

According to the council yesterday, the office building market "is set to crumble".

It forecast that private commercial construction output would fall by 20 per cent this year and by 30 per cent next year. Private housing output was forecast to fall by a further 15 per cent this year. Output, however, was expected to recover by 11 per cent next year.

The recession among manufacturers has also hit industrial building, which is expected to decline by 7 per cent this year and by 10 per cent in 1992. The council said the fall in investment by manufacturers had offset increased capital spending by the privatised water and energy companies.

Nadir seeks leave to visit Cyprus

By Raymond Hughes, Law Courts Correspondent

MR ASIL NADIR, chairman of Polly Peck International, is today expected to ask a High Court judge to allow him to travel to Turkey and northern Cyprus with the company's administrators.

Mr Nadir, who is on £3.5m bail facing theft and false accounting charges totalling £25m, will appeal against a Bow Street magistrate's refusal last Thursday to vary his bail conditions to permit him to make the trip.

It is thought likely his plea will be supported by the

administrators, Mr Michael Jordan and Mr Richard Stone, of Coopers & Lybrand Deloitte. Mr Stone said Mr Nadir's presence was regarded as crucial in sorting out PPI's affairs in northern Cyprus.

Yesterday a High Court judge adjourned a move by nine creditors owed about £25m by Polly Peck to seek Mr Nadir's arrest for alleged contempt of court. Mr Justice Mummery said the application, and Mr Nadir's bid to strike it out, could be heard in October.

Mr Stanley Brodie QC, for

Mr Nadir, had said the creditors had no grounds for their application and were "seeking to terrorise Mr Nadir with the threat of prison".

The creditors - Barclays De Zoete Wedd, Merrill Lynch, Lehman Brothers Securities, Carr Kitch Aitken, Banque Paribas, Credit Suisse, the Island Revenue, First National Bank of Chicago and Commercial Bank - alleged Mr Nadir had broken an undertaking not to dispose of assets. Following an agreement the bankruptcy petition was later dismissed.

BRITAIN IN BRIEF



US company to join UK gas market

Amerada Hess, the independent US oil company, has set up a gas marketing arm in the UK to compete with British Gas in selling gas to industrial and commercial customers.

Amerada Hess currently produces 600m therms of gas a year or 4 per cent of the UK's total.

The new marketing company will sell 140m therms of gas over the next 3 years of which part will be supplied by swapping gas with British Gas.

German groups plan investment

Two German companies, Siemens and MBM are making investments in the west Midlands.

Siemens Lighting, part of Siemens, the international engineering group, is spending £5.5m on its plant at Witton, Birmingham. The move will safeguard 120 jobs and create 22 new posts.

MBM Metallbau Mockmuhl of Stuttgart, which makes metal, steel and glass products for the construction industry, expects to create 120 jobs in the next five years through a £2.8m investment in a plant at the Woodgate Business Park, Birmingham.

Food retailer cuts prices

Tesco, the British food retailing group, cut prices of a wide range of items by up to 50 per cent in a one-month campaign designed to boost sales of products which it sells under its own label.

Liberals back reform package

Reform of Britain's constitution, including decentralising government and introducing regional income taxes, is essential if economic problems are to be tackled, according to a new Liberal Democrat Party paper.

Regional elected governments and parliaments for Scotland and Wales would tailor economic policy to the needs of different areas, said Mr Robert MacLennan, the party's home affairs spokesman.

Mr MacLennan said proportional representation would create political stability and currency stability could be obtained by the eventual move to full European monetary union with a single currency.

Mobil to expand plant

Mobil, the UK arm of the US oil company, announced the go-ahead of an expansion at its gas processing plant at St Fergus, Scotland, after the project was granted planning permission. When the £300m expansion is complete in 1994, it will handle 20 per cent of the UK's daily gas needs.

MoD officials face job threat

More than one in five civilians employed by the Ministry of Defence (MoD) are to lose their jobs because of cuts in armed forces budgets, according to labour unions.

Senior MoD officials have told the unions that nearly 50,000 out of 140,000 blue and white collar workers employed at army, naval and air force bases around Britain will be made redundant, said Mr Jack Dromey, national secretary of the Transport and General Workers' Union.

Advisors for coal sell-off

Wardell Armstrong, the mining consultants from Newcastle under Lyme, Staffordshire, and John T Boyd Co, mining and geological engineers from Pittsburgh, Pennsylvania, have been appointed technical advisers for the privatisation of British Coal.

Injuries in youth training

The number of serious injuries suffered by trainees on the Government's Youth Training scheme increased by 86 per cent over a five year period, the Labour party claimed.

Mr Tony Blair, Labour's employment spokesman said yesterday that although the position appeared to have stabilised since 1988 there seemed to be no clear explanation of why the number of serious injuries had almost doubled since 1986.

He said he would be asking the Health and Safety Executive to inquire into the increase. Mr Blair said: "Young people must be given full and adequate protection whilst undergoing training."

Water pay deal rejected

Employees at Northumbrian Water have rejected the company's "final" wage offer, providing an early test for an innovative pay determination system in which bargaining with unions has been replaced by consultation within a company council.

The offer, which provides for basic rate rises of 6.9 per cent, is thought to be one of the lowest among Britain's water companies this year. More than 650 workers voted against accepting the offer.

Energy strategy to be reviewed

The government has set up an advisory group to head a review of renewable energy strategy, Mr Colin Moylan, energy minister announced.

The group of academics and business leaders will make a report to government by early next year. It will help the government review policy on renewable energy such as wind power.

Poor facilities for women

Poor facilities for looking after children and too few training opportunities are preventing women from achieving their full career potential in south Wales according to a report from the Welsh Development Agency.

IRA escape came five months after police warning

By Ivo Dawney, Political Correspondent

A DAMNING analysis of last month's escape by two Irish Republican Army suspects from Brixton jail in London has disclosed that police wanted the prison authorities of a break-out plan five months earlier, according to the official report published yesterday.

The inquiry, conducted by Judge Stephen Tummie, the chief inspector of prisons, revealed that police had alerted Brixton in February that the two high-risk category 'A' prisoners would attempt to obtain a firearm and would use a Sunday service at the prison chapel as their opportunity to escape.

In the event, this was exactly what happened. The Tummie report also catalogued at least six other failures ranging from inadequate perimeter security to poor communications.

But yesterday's disclosures stopped short of blaming prison policies for the escapes. "The errors of judgment which resulted in the opportunity for escape were indeed operational failures and not failures of policy," Judge Tummie concluded.

Presenting the findings yesterday Mr Kenneth Baker, the home secretary, said that he had considered resigning in the wake of the July 7 escape. But he had similarly concluded there was "no question" of resignation as the failures had been operational.

Despite this claim, Mr Rob-



Baker: avoided blame

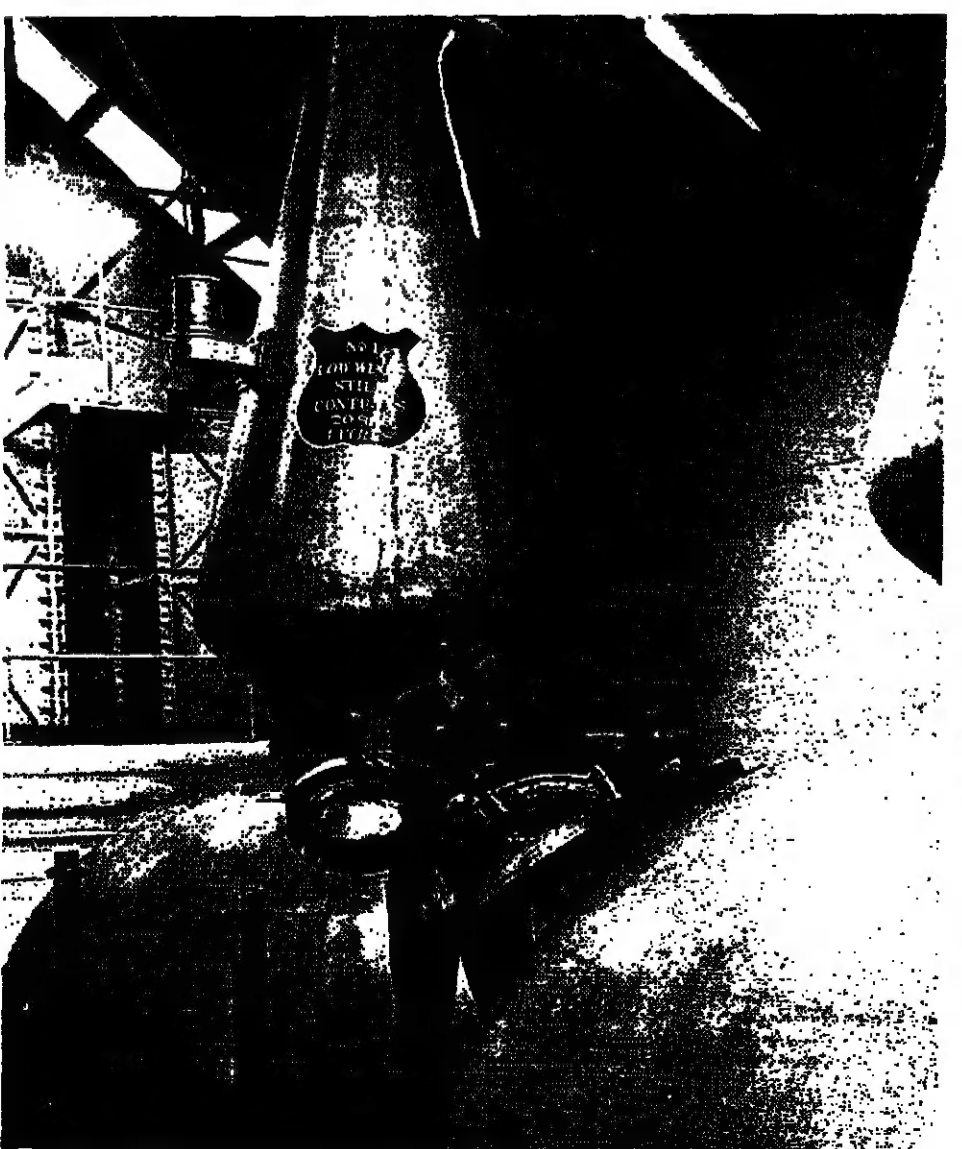
ert MacLennan, the Liberal Democrat home affairs spokesman, said that Mr Baker's failure to act on warnings last year that Brixton was unsuitable for Category A prisoners made him "directly responsible."

Mr Reg Withers, Brixton's prison governor, has been ordered to take leave prior to his retirement in October and Mr Brian Bubbear, the head of the custody directorate currently on sick leave, is to be replaced.

X-ray machines are to be installed at all 23 high security prisons to vet visitors and mail, together with a review of contingency planning with local police forces. Mr Baker is also to take steps to double the maximum sentence for helping a prisoner escape to 10 years.

Highlands spring to the defence of whisky

Philip Rawstone on the campaign to protect the £620m Scotch market in the EC



Taxing times: a stillman checks the whisky at Glenkinchie distillery, Scotland

THE SCOTCH whisky industry is now engaged in an intensive five-month campaign in London and Brussels to avert a threat to its £620m export markets in the European Community.

At issue are moves towards the harmonisation of excise duties in the single European market after 1992.

Only a last-minute outcry from the industry - backed by Scottish politicians and trade unions - prevented the British government agreeing six weeks ago to minimum duty rates that would have dealt a savage blow to its prospects in the growth markets of Spain, Portugal, and Greece, just as total world export volumes are falling by nearly 12 per cent.

The proposals from the outgoing Luxembourg presidency comprised a zero rate for wine, including champagne; a rate of 187 ecus per hectolitre of pure alcohol for beer; and of 1,118 ecus for whisky and other spirits.

Neither the Scotch Whisky Association nor the distilling companies that make up its membership were consulted, or even informed of the proposals. They learnt of them through leaked reports from Luxembourg and Brussels.

"Their effect would clearly have been very damaging," says Mr Tony Greener, managing director of United Distillers, the Guinness spirits company. "They would have raised the price of a bottle of Scotch in some southern European

The proposals from the Luxembourg presidency comprised a zero rate for wine, including champagne; a rate of 187 ecus per hectolitre of pure alcohol for beer; and of 1,118 ecus for spirits.

countries by about £2.50 and substantially increased the discrimination between wine and spirits."

Mr Norman Lamont, chancellor of the exchequer, was approached by outraged industry leaders a few hours before he left for a Luxembourg meeting of EC economic and finance ministers.

Some of those present say he seemed unaware of the potential trade effects of the plans. Whisky exports to Spain have grown by 125 per cent in value over the past five years and were worth £123.3m last year. Sales in Greece amounted to £88m in 1990, up 240 per cent from 1986; exports to Portugal have soared 230 per cent over the five years to £22.7m.

Mr Alan Gray, analyst at Charterhouse Tilney, says that sales are expected to grow by 20 per cent in these southern European markets over the next three years and to rise by nearly 12 per cent in continental Europe overall.

Some blunt talking persuaded Mr Lamont to withhold

his agreement to the proposed minimum rate for spirits - but he did agree to the rates for wine and beer.

That limited success has done little to allay the industry's concern about the final outcome of the affair which is expected in December.

The Scotch whisky industry is an important UK national asset. Last year it earned £1.7m in exports and contributed nearly £1bn in excise duties and tax to the exchequer. It employs 18,000 people directly, and in many Scottish communities is the main economic activity.

Yet the industry finds an apparent reluctance among government ministers and civil servants - especially in the Treasury - to recognise its value to the UK economy and to defend its interests in the European Community.

This attitude contrasts strongly with the protection that European states give to their wine industries. Germany, Greece, Italy, Portugal and Spain do not tax wine at all. France levies only a minimal rate of duty.

The result is that, although a glass of wine, a half pint of beer, and a normal measure of whisky, have the same alcohol content, they are taxed at widely differing rates.

Spirits attract nearly twice as much duty as wine in the UK but are taxed 39 times more heavily than wine in France.

The view persists in continental Europe that wine is a

international drinks companies in the UK contend that all alcoholic drinks compete in the market place and that discriminatory taxation in the EC distorts that competition.

food and should not be considered in the same tax bracket as whisky, gin, and vodka - though few would recognise champagne and premier cru ciders as an everyday source of nourishment.

Since the French export their cognac mainly to Japan and the US, the community's tax rates have little effect on its trade.

Britain's international drinks companies Guinness, Grand Metropolitan and Allied-Lyons - contend that all alcoholic drinks compete with each other in the market place and that discriminatory taxation in the EC distorts that competition.

The Scotch Whisky Association's long-term objective is to secure a fairer system in which duty is levied on the actual alcoholic content of any drink.

"But on the excise duty front, justice and reality are far removed," says Mr Gray. Given the political and industrial muscle of the wine lobbies, it will require a robust stand by the UK government to

ensure that the discrimination against spirits does not worsen.

The fact that the UK government itself widened the tax gap between spirits and beer and wine in the last two budgets does not inspire confidence.

Whisky industry leaders believe they may have convinced Mr Lamont that he should now negotiate the lowest possible minimum rate of duty for spirits in the EC. But even that objective has been complicated by customs' fears that low taxation rates in some countries would lead to widespread evasion of UK duty on whisky smuggled back into the UK.

It is proving trickier for the industry to get the UK Treasury to consider, let alone advocate, proposals that would limit the extent to which EC member states could in future impose differential taxation on spirits, beer, and wine.

The Treasury, itself, is anxious not to surrender any of the chancellor's fiscal freedom. "But such a move would not stop individual countries deciding what rates they levied - it would merely prevent discrimination against spirits increasing in the future," says Mr Greener.

"We are not asking for protection or favourable treatment. We merely want to ensure that the playing field is not made more uneven than it already is; that we do not get the present discrimination, or worse, institutionalised in the EC."



A CELEBRATION OF 25 YEARS OF ABU DHABI

Under

His Highness Sheikh Zayed bin
Sultan Al Nahyan, President of
the United Arab Emirates

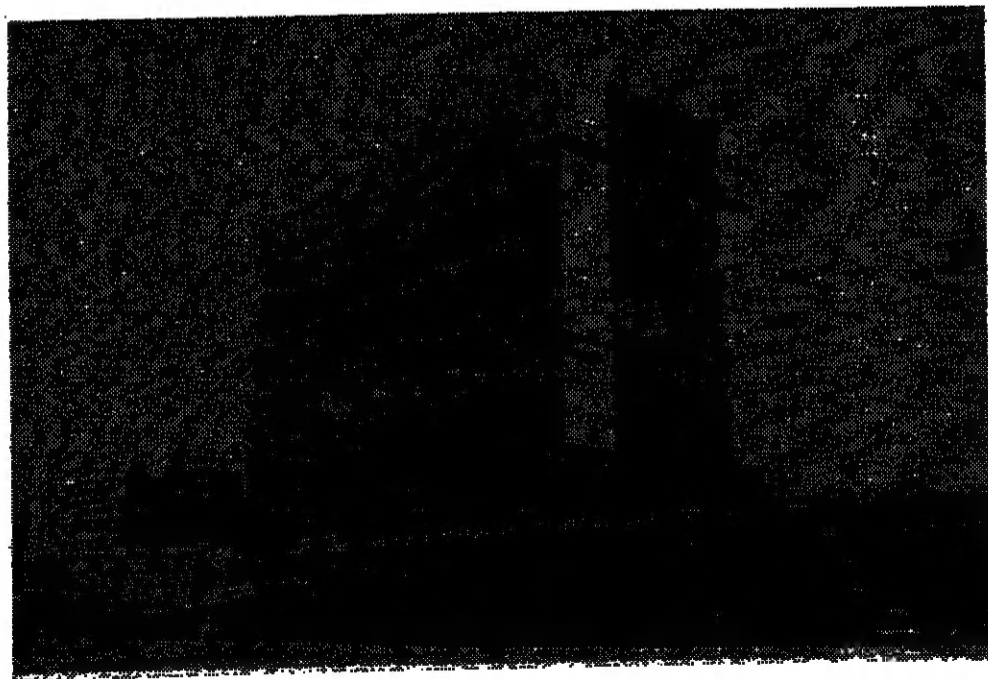
WHEN Sheikh Zayed bin Sultan al Nahyan became the ruler of Abu Dhabi exactly 25 years ago today, it would have taken the most talented of fortune-tellers to predict the changes that lay ahead. In this period, Abu Dhabi has been transformed from an impoverished, tribal society into a modern, industrial state. A people who had to struggle to get even the basic necessities of life now want for nothing. Education, health care and a range of social services are all provided by the Government.

Domestically Sheikh Zayed has encouraged the emergence of one of the most tolerant societies in the Middle East. And as president of the United Arab Emirates, he has given Abu Dhabi, and the other smaller emirates, a far higher profile in the international arena. In short, on the anniversary of his 25th year in power, Abu Dhabi has much to celebrate.

Turn to next page



ABU DHABI NATIONAL OIL COMPANY ADNOC - 20 YEARS OF PROGRESS



On June 5 1988, the Abu Dhabi Supreme Petroleum Council was established by Amiri Decree under the chairmanship of HH Shaikh Khalifa Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi. The formation of the SPC consolidated the Department of Petroleum and the Board of Directors of ADNOC into one organisation, which is responsible for formulating oil and gas policy in the Emirate and overseeing the operations of Abu Dhabi's oil and gas industries.

ADNOC was established by the Abu Dhabi Government on November 27 1971, to operate in all areas of the oil industry both at home and abroad. ADNOC was given the responsibility of implementing government policy, which aimed at exploiting Abu Dhabi's hydrocarbon resources in a manner which best serves the interests of the Emirate.

Key areas of this policy, still in force today, include plans to explore the entire area of Abu Dhabi, maintaining the production capacity of the producing fields without damaging the reservoirs and developing the more complex structures in the country.

In order to fulfill its assignment, ADNOC has, since its establishment, moved into many areas of the industry associated with oil production, forming several operating service companies. Some were joint ventures, while others were wholly owned by ADNOC.

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From first page

It is obviously the key to Abu Dhabi's prosperity. Perhaps a good illustration of how quickly the emirate has developed is to quote the British traveller Wilfred Thesiger's description of Abu Dhabi town in 1948.

"A large castle dominated the small, dilapidated town which stretched along the shore. There were a few palm trees, and near them was a well where we watered our camels."

Today Abu Dhabi is a thoroughly modern city. Gleaming tower blocks dominate the skyline. Smoothly surfaced roads criss-cross the city. And the Corniche, the fountain and palm tree-studded promenade along the seafont, rivals anything to be seen on the French or Italian Riviera.

Oil revenues virtually guaranteed Abu Dhabi's prosperity. But the money had to be wisely spent — and Sheikh Zayed did just that. Within months of his coming to power, on August 6 1966, he began setting up the cradle-to-the-grave welfare system which looks after his people so well.

Abu Dhabi's emphasis on using its wealth for industrial diversification and heavy investment in the oil industry have fashioned a very resilient economy which easily coped with the demands put upon it during the Gulf crisis. Over the past 20 years Abu Dhabi has expanded into a variety of upstream and downstream activities, including gas gathering, liquefaction, 7777 refinery expansion and the acquisition of a large tanker fleet.

On the industrial front, the General Industrial Corporation, established in 1979, has promoted development outside the oil sector. Abu Dhabi has some profitable light industries, including building materials, cement, printing and furniture firms.

The emirate also has a thriving port, Mina Zayed, on the north-east tip of Abu Dhabi Island, which opened in 1972. Total throughput at its modern container terminal has more than doubled in recent years. And it is building a re-export business which is beginning to rival Dubai.

Economically Sheikh Zayed believes that blocs such as the European Community will come to dominate world trade in the years to come. He thinks that the best policy for Abu Dhabi and the UAE in the future is to insist on greater co-operation among the Gulf Co-operation Council countries: "The strength of the Gulf lies in its economic unity which represents the real challenge before the Gulf man to assert his true position. Economic power is the true yardstick of Gulf autonomy."

As Abu Dhabi has grown richer during Sheikh Zayed's rule, the Emirate has never forgotten its wider responsibilities. Abu Dhabi has always had, from the early years of its oil wealth, a very generous aid programme. In 1971 the Abu Dhabi Fund for Economic Development, with a capital base of 200 dirhams, was set up. Its aims were to provide soft term loans and grants to the developing countries.

Today the Fund boasts a total capital base of more than 400 dirhams, and has helped finance nearly 120 projects with a total value of 8.600 dirhams. The range of projects includes roads, dams, agriculture and rural development, water and electricity and housing as well as tourism projects, hotels, and small and medium sized industries. The number of countries which have received aid include Tunisia, Somalia, Yemen, Jordan, Syria and Egypt.

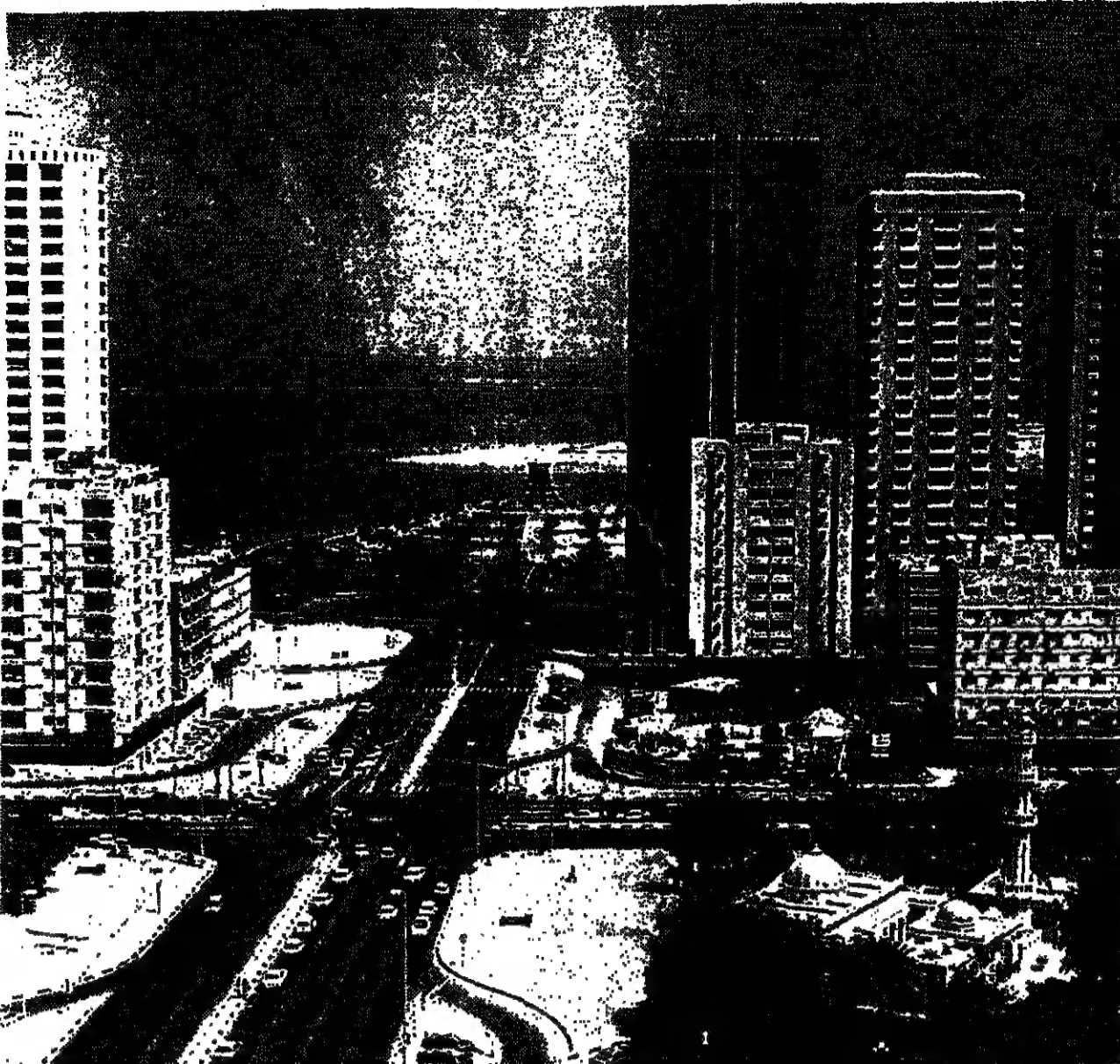
In foreign affairs Abu Dhabi has put its full weight behind the UAE. The watchwords of the UAE's foreign policy under Sheikh Zayed's presidency have been even-handedness, co-operation and peaceful co-existence. The UAE was one of the founding members of the Gulf Co-operation Council, formed during the Islamic summit in Taif in early 1981. The GCC, which has its own secretariat and ministers, held its first conference in Abu Dhabi, under the chairmanship of Sheikh Zayed, in May 1981.

The UAE has relations with over 60 countries. In 1985 the UAE established diplomatic links with the USSR. The UAE was also the first Arab country to re-establish ties with Egypt. During the Iran-Iraq war, the UAE, true to its role as a regional mediator, remained neutral.

Iraq's invasion of Kuwait, in August last year, came as a great shock to Sheikh Zayed, who has always believed in Arab brotherhood. However, the UAE had no hesitation in backing the Allied Coalition. It provided facilities for the Allied navies and paid a substantial amount to its Western allies to help cover the cost of the war.

The UAE is anxious to see Western countries, such as the US, France and Britain, involved in the new security arrangements for the Gulf now under discussion. And Sheikh Zayed, having always been a strong supporter of the Palestinian cause, is also keen not to miss the chance of settling the Arab-Israeli conflict. Helping to finally bring stability and peace to the Middle East would be a fitting accolade to Sheikh Zayed's 25 years as ruler of Abu Dhabi.

Human face of the father of his people



Modern Abu Dhabi is a bustling testament to 25 years of progress

HERE CAN BE no starker contrast to the norm in the volatile region of the Middle-East than the rule of Sheikh Zayed bin Sultan Al Nahyan, president of the United Arab Emirates (UAE) and ruler of Abu Dhabi. Today Sheikh Zayed celebrates 25 years as Abu Dhabi's head of state. It has been a period of stable government and solid achievements.

During his rule, Sheikh Zayed has brought Abu Dhabi into the 20th century, been the prime mover behind the creation of the UAE, and ensured that Abu Dhabi's oil wealth is used for the benefit of all his people. The qualities noted by Wilfred Thesiger, the famed Gulf traveller and author, more than 40 years ago have served Sheikh Zayed well as he has worked over the past quarter of a century to modernise Abu Dhabi and to give the UAE a voice in world affairs.

"He was a powerfully built man of about thirty with a brown beard. He had a strong, intelligent face, with steady, observant eyes, and his manner was quiet but masterful. . . I had been

looking forward to meeting him, for he had a great reputation among the Bedu. They liked him for his easy informal ways and his friendliness, and they respected his force of character, his shrewdness and his physical strength."

Sheikh Zayed was born the son of Sheikh Sultan bin Zayed Al Nahyan. Sheikh Sultan himself was the son of Sheikh Zayed bin Khalifa, who reigned long and peacefully from 1855-1908. He built Abu Dhabi into the most powerful emirate in the lower Gulf and is often referred to as Zayed the Great.

In his early years, as he grew to manhood, Sheikh Zayed spent much of his time in Al-Ain. He learnt to shoot, ride and enjoyed hunting with falcons. He also began to attend the Majlis (a type of informal parliament) of his father, who had become ruler in 1922, and continued until his death in 1928. At first hand Sheikh Zayed began to appreciate the problems of the Bedu and to understand the realities of political life.

In 1928 Sheikh Zayed's elder brother Sheikh Shakhbut became

the ruler of Abu Dhabi, ushering in a new period of stability in the Emirate. Over the next 20 years Sheikh Zayed spent most of his time travelling, helping to settle local tribal conflicts, talking with local sheikhs and developing a deep faith in Islam. His faith is the backdrop to his political reforms. This is clear from Sheikh Zayed's comments in Abdul Rahman Ziyad's book *Zayed bin Sultan: A Life of Achievement*.

"Those who want to reform the nation by ways other than religion sow a seed on alien soil. Consequently the seed cannot get nourishment and will be spoiled, in spite of the fact that the seed has no defect in itself."

In 1948 Sheikh Zayed, despite being only around 30, was appointed Governor of the Eastern Region of Abu Dhabi. He quickly added to his reputation as a problem-solver and efficient administrator. The next 10 years were a challenging time. Sheikh Zayed had to maintain the traditional tribal alliances at a time when the revenue from the pearling industry, the Emirate's main source of income, was dwindling.

However, Abu Dhabi's future was soon to be transformed. In 1958 Abu Dhabi Marine Areas, a group of foreign oil companies, led by BP, found the first commercial oilfield at Umm Shaif. The following year another field was discovered in Murban. ADMA built a terminal on Das Island, and the first export oil left the terminal on July 3 1959.

Abu Dhabi's newly-found oil wealth raised the Emirate's stature in the world. However, Sheikh Shakhbut was reluctant to spend the money. In 1965 tribal chiefs urged Sheikh Zayed, who was regarded as more modern and forward-thinking than his brother, to take over from his brother. He told them to be patient. About one year later, on August 6 1966, Sheikh Zayed became the ruler of Abu Dhabi.

He soon made clear what principles would guide his use of Abu Dhabi's oil wealth: "Money is of no value unless it is used for the benefit of the people. God has bestowed this [oil] wealth upon us. It is our duty, in thanking him, to utilise this wealth in reforming the country, in bringing prosperity to its people by building a society where education, medical care, housing and food be available to every individual of our society."

Within a few months of his accession a range of new departments were set up, covering education, health and public works. New roads were planned and Sheikh Zayed was able to continue with a policy which will always be regarded as the most visible of his rule: the greening of Abu Dhabi.

Ever since his early days in Al-Ain Sheikh Zayed had been interested in agriculture and afforestation. During his rule millions of trees, plants and flowers have been planted. There are now many forests around Al-Ain, and the municipality of Abu Dhabi is full of exotic flowers, multi-coloured fountains, tropical trees and litter-free grass. It is said he was inspired by the description of Paradise in the Holy Quran:

"There shall be palm trees and pomegranates, fountains and pleasant gardens beneath which rivers flow."

The readiness of Sheikh Zayed to share Abu Dhabi's oil wealth with neighbouring emirates helped settle a number of border disputes and laid the foundations of the federation which he thought was necessary for the emirates' mutual security.

In 1971, Sheikh Zayed's dream was finally realised when the emirates of Abu Dhabi, Sharjah, Ajman, Umm-Al-Qaiwain, Dubai and Fujairah came together to form the United Arab Emirates. In early 1972 Ras Al-Khaimah became the UAE's seventh member. Sheikh Zayed was unanimously chosen as the UAE's first president.

Zayed soon pushed the UAE into the heart of world affairs. Within weeks of being elected president he steered the UAE into the Arab League and membership of the United Nations quickly followed.

Throughout the Gulf crisis the UAE was a strong supporter of the Allied Coalition which defeated Iraq and brought peace back to the Gulf region. During these difficult times Sheikh Zayed displayed all the qualities the author, Abdul Rahman Ziyad, noted as his final judgment on the man:

"He possesses to a supreme degree a deep and lively sense of reality in politics, especially in Arab circles. A gifted tactician, throughout his life he has shown himself a born leader of men, where necessary a soldier, a capable administrator, and a chivalrous opponent. He is wise, tolerant, generous and capable of seeing far beyond his own time."

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* Wadi: a desert rivulet fed by a spring, often found in the rocky terrain between stretches of desert. An adventure trip to these regions on a four-wheel drive vehicle is commonly referred to as wadi bashing.

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Mystique and magic in a desert playground

ABU DHABI'S reputation as a first-class tourist resort is well established. The past five years of developing recreational facilities, promoting the Emirate at international fairs and among travel agents has paid off. Tourists from all over the world now flock to Abu Dhabi to experience the Emirate's unique mixture of beautiful beaches, excellent sports complexes, desert safaris and luxury hotels.

"The Riviera of the Gulf is how we are known," said Abdullah Ali Al-Saadi, deputy general manager of Abu Dhabi National Hotels Company (ADNHG). "But we offer much more than just good beaches and hotels. There is a mystique about the desert that many tourists find irresistible."

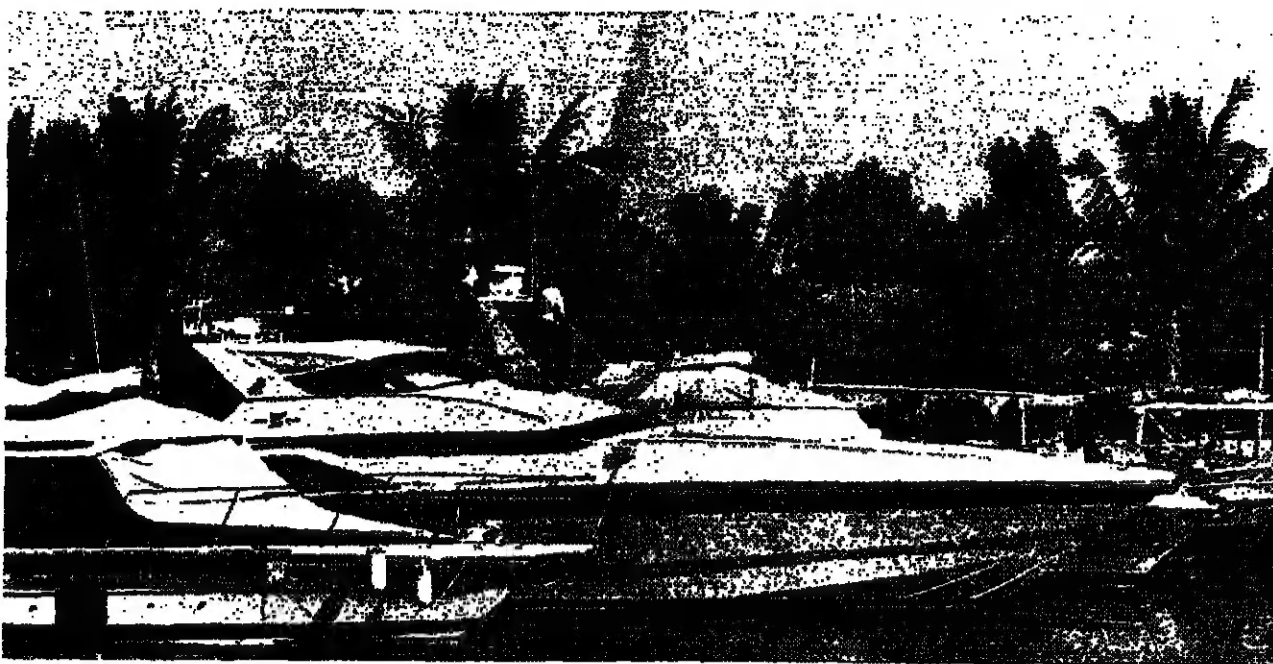
The tourist season in Abu Dhabi is from October to April, when the temperature cools down to a comfortable 20° to 30°C, from the boiling heat of July-September, which reaches a peak of above 45°C. The Gulf crisis obviously halted any tourist travel last year. However, Abu Dhabi is looking forward to a good season in 1991 now that peace has returned to the region. "Perversely, the Gulf crisis has given us a higher profile. Many more people are curious about the way of life here and want to come and experience it for themselves."

Government officials have a very clear idea of how they would like to see tourism develop in the Emirate. There is no desire for mass, package holiday-style tourism. Abu Dhabi's infrastructure simply could not cope. Instead, tourist officials want to attract the wealthier, middle to upper income traveller, particularly from Europe. So far visitors from Switzerland, Austria and Germany have made up the bulk of tourists visiting Abu Dhabi for a winter break.

Tourism officials are also keen to exploit niche areas, such as company incentive schemes. Many big international firms reward top-performing executives and salesmen with short holidays in exotic locations. "I think we have a lot to offer companies looking for something different," said Houssein Tantawi, manager of Sun Shine Tours, a subsidiary of ADNHG. "Abu Dhabi is in a good spot, only about seven hours flying time from Europe. We have a lot of exotic locations and there would be no need for companies to worry about their top executives' safety here."

One of the main attractions about Abu Dhabi is that it is very easy to reach. Most of the world's top airlines fly to the Emirate. Gulf Air and the Dubai-based Emirates Airline fly to a wide range of international destinations. Abu Dhabi's international airport is less than 10 years old and can handle around 6m passengers a year. There is also a study under way on the feasibility of adding a second runway.

As tourists arrive in the airport they will see one of the best duty free outlets in the world. The duty free concession first opened in 1986 and has won a string of marketing and management awards.



Sleek boats lie at harbour amid the UAE's greenery: the Emirates hold many pleasures for the traveller

There are about 16 shops in the airport selling more than 18,000 items, including gold, pearls, perfumes, electronics and cigarettes. Prices are very competitive and some items are even sold at cost.

"Unlike many of our competitors at other international airports, we do not pay rent here, so that allows us to pass the benefit on in terms of cheaper prices for customers," said Mohammed Mounib, general manager of Abu Dhabi Airport Duty Free.

Soon tourists will be able to visit a duty free shop in the centre of Abu Dhabi, decide what they want to buy, pay for it in the shop and then pick up their goods when they fly out from the airport at the end of their holiday.

In deciding where to stay in Abu Dhabi, tourists can choose from an array of international hotels and purpose-built guest houses. ADNHG oversees the running of seven hotels, managed by

international chains, the Sheraton, Hilton and Meridian in Abu Dhabi.

The latest addition to the company's stable is the Al Jazira Hotel. It is being built near the coast, about halfway between Dubai and Abu Dhabi, and will be ready for the start of the tourist season later this year. A 6.5km channel has been dug from the sea to surround the hotel, so it actually stands on its own island. When it is finished, there will be 65 rooms in the hotel and 50 chalets near the beach. To take them to the beach, guests will be transported by a traditional Arab dhow. The hotel's gardens have been designed and landscaped by experts working for the ruler of Abu Dhabi, Sheikh Zayed bin Sultan Al Nahyan.

All the hotels run by the ADNHG have excellent sports and recreational facilities including, in many cases, tennis, squash

and health clubs. The Inter-Continental Hotel has a beautiful marina where you can see every kind of boat, from classic yachts to speedy motor cruisers. Water and jet skiing are very popular. A popular pastime for tourists is to take a cruise, beginning at the Inter-Continental marina, passing gently along the Abu Dhabi skyline, along the Corniche and then stopping at one of Abu Dhabi's beautiful islands for a barbecue.

Ice skating has also caught the imagination of tourists and local people. The rink at Zayed's Sports City can be used by more than 400 skaters daily. However, the latest craze among tourists is sand skiing among the dunes of the Liwa oasis and others only a couple of hours drive from Abu Dhabi city. Liwa is one of the most popular destinations for tourists. It is easy to reach, as it is connected by a modern dual carriageway, which makes access to this beautiful oasis simplicity itself.

The oasis is surrounded by a couple of towns, including Medina Zayed and Al Maryyah. The Liwa itself forms a crescent shape and has slightly dark, but drinkable, water. Close to the town of Medina Zayed is a vast expanse of land covered with palm trees. This is Sheikh Zayed's 100 Palm Project. Here thousands of date palms are grown, first as saplings and then matured until they produce fruit.

Al-Ain, in the eastern part of the Emirate is Abu Dhabi's second city and is also a popular destination for tourists. Al-Ain's camel market is the last of its kind in the United Arab Emirates and attracts traders and customers from all over the UAE. Friday is the best day to visit the market, when the dealers bring their herds to be sold.

Al-Ain's museum is in the centre of the city, in the grounds of an old fort built some 100 years ago. It was in this fort that Sheikh Zayed bin Sultan Al Nahyan's father was born. The fort is full of the findings of archaeologists who have been excavating in the regions north of the city.

Just outside the city is the small oasis of Buraimi, which has many beautiful crumbling old buildings set among exotic palm trees. Buraimi has a famed souk and cool, green gardens. Nearby is the Hill archaeological site, which has some fascinating finds. There is also an amusement park for adults and children.

Probably Al-Ain's most famous attraction is its zoo. It has a wide range of animals on display and is also the centre for important breeding and conservation projects aimed at helping endangered species. For panoramic views there is no better spot than the Halli mountain, which gives a superb view over the entire Al-Ain area.

Less curious tourists can just tour Abu Dhabi's splendid shopping centre, visit the many cultural museums or simply take a trip out to the desert, spend a few nights under the stars, and get away from it all.

How oil drives the nation

OIL IS at the heart of the Abu Dhabi economy. Over the past 25 years of Sheikh Zayed bin Sultan Al Nahyan's rule it has helped transform the Emirate into a modern industrial power in the Gulf region. Twenty years ago there was only desert and a few houses along the seashore in Abu Dhabi city. Now there are rows of tower blocks. Light industries are flourishing. And the Emirate's bounteous oil revenues have given the people a welfare system unrivalled in the world.

The Gulf crisis certainly put great demands on even Abu Dhabi's large oil fields. Production had to be increased to make up for lost supplies from Iraq and Kuwait, existing contracts had to be fulfilled, while the oil fields themselves had to be rigorously serviced. However, the oil industry coped well with the challenge.

Abu Dhabi's senior oil industry officials are determined to capitalise on the momentum built up during the Gulf conflict. "Given the impetus provided by the crisis, I think we now have a very good opportunity to expand in all areas including crude oil production, refining and gas generation," said a senior executive at the Abu Dhabi National Oil Company (Adnoc), the Emirate's state-owned oil company.

The oil industry is run by the Supreme Petroleum Council, established in 1968. It will take all decisions relating to the expansion plans. Adnoc, set up in 1971, is the key vehicle through which its policies are put into effect.

Adnoc manages the majority state holdings Abu Dhabi has in the Abu Dhabi Company for Onshore Oil Operations (Adco), and in the Abu Dhabi Marine Areas Operating Company (Adma-Opco), which operates the offshore fields. Adnoc is involved in a wide array of upstream and downstream activities, including gas gathering, liquefaction and refining. The company also operates a large tanker fleet. Adnoc has a 51 per cent stake in the Abu Dhabi Gas Liquefaction Company (Adgas). The company operates a \$550m LNG and LPG gas plant on Das Island. It produces close to 3m tons of LNG and about 1m tons of LPG annually.

Natural gas and sulphur are also produced at the plant from offshore gas. Shipments began from the plant in 1977, and most of the LNG and LPG goes to Japan.

Adnoc also owns 68 per cent of Abu Dhabi Gas Industries (Gasco). The other shareholders are Shell, which holds a 15 per cent stake, Total has another 15 per cent, and Parpetex a 2 per cent stake. Gasco manages the close to \$20m plant at Ruwais which extracts propane, butane, and condensate from associated gas produced by the onshore Bu Hassa, Bab and Asab oilfields. The plant's capacity is 4.75m tons per year of LNG, most of which goes to Japan.

Adnoc's other big responsibility is to manage Abu Dhabi's refineries. There are two, one at Umm al-Nar, and the second at Ruwais. Umm al-Nar has a capacity of around 75,000 barrels per day. The Ruwais refinery has a capacity of 120,000 barrels per day. Product marketing is run by an Adnoc subsidiary, the Abu Dhabi National Oil Company for Distribution.

Adco was set up in late 1978. Adnoc has 60 per cent, Total, BP and Shell have 9.5 per cent each, Mobil and Exxon have 4.75 per cent and Parpetex has 2 per cent. The first onshore oil discoveries were at Bab in December 1960 and at Bu Hassa in 1962.

Adma-Opco was formed in 1977, taking over the fields of its predecessor, Abu Dhabi Marine Areas. The first oil strikes came at Umm al-Nar in 1958 and at the Zakum field in 1965. Adma-Opco is 60 per cent owned by Adnoc. The other shareholders are Japan Oil Development Company, which has 12 per cent, BP which has a 14.67 per cent stake, and Total with 13.33 per cent.

Abu Dhabi also has a company called the International Petroleum Investment Corporation (Ipic), which invests in marketing facilities overseas. It has capital of \$500m, to be used to invest in facilities and petrol stations in Japan and Europe. Ipic has a 20 per cent stake in the Spanish Compania Espanola de Petroleos (Cepes). Apart from Oman, Abu Dhabi is virtually the only Gulf country not to own its oil companies outright. "I think it works very well," said Jean-Louis de Vaulx, the chief executive of Total, the big French oil company in Abu Dhabi. "There is a continuous dialogue between us and the state oil companies. We help each other on technical matters and exchange information regularly."

The suspension of Opec quotas in August 1990 and the UN sanctions on Kuwait and Iraq meant that the United Arab Emirates had to increase production to around 2.3m between September and November 1990, to help meet the world's energy needs. Abu Dhabi, as the biggest oil producer in the UAE, played a major role in this expansion drive.

As a result of the investment programme now being followed, Abu Dhabi should lift its capacity to around 3m barrels per day by the mid 1990s.

Refining capacity is also to be increased. Expansion at Umm al-Nar has already been approved, and it is thought that approval for an increase in capacity at Ruwais will come soon. Production at Das Island and of LPG and LNG production is to be doubled, with Japan, which signed a contract last year, taking most of the new output.

"All this investment will ensure that in the 1990s Abu Dhabi will have one of the most modern and efficient oil industries in the Gulf," said one London-based oil analyst.



Black gold: oil has transformed the UAE

Things change. Commitment does not.

In the United Arab Emirates we believe in the principles of peace, free trade and global commitment.

A determination especially evident in the capital city of Abu Dhabi... where both expatriates and citizens worked together to retain the world's confidence.

And being a vital gateway, Abu Dhabi International Airport remained open, fully staffed and ready. Even when things changed in the region, the airport's commitment did not. Airlines that stopped their flights with the outbreak of hostilities soon came back. Traffic returned to normal long before the end of the crisis.

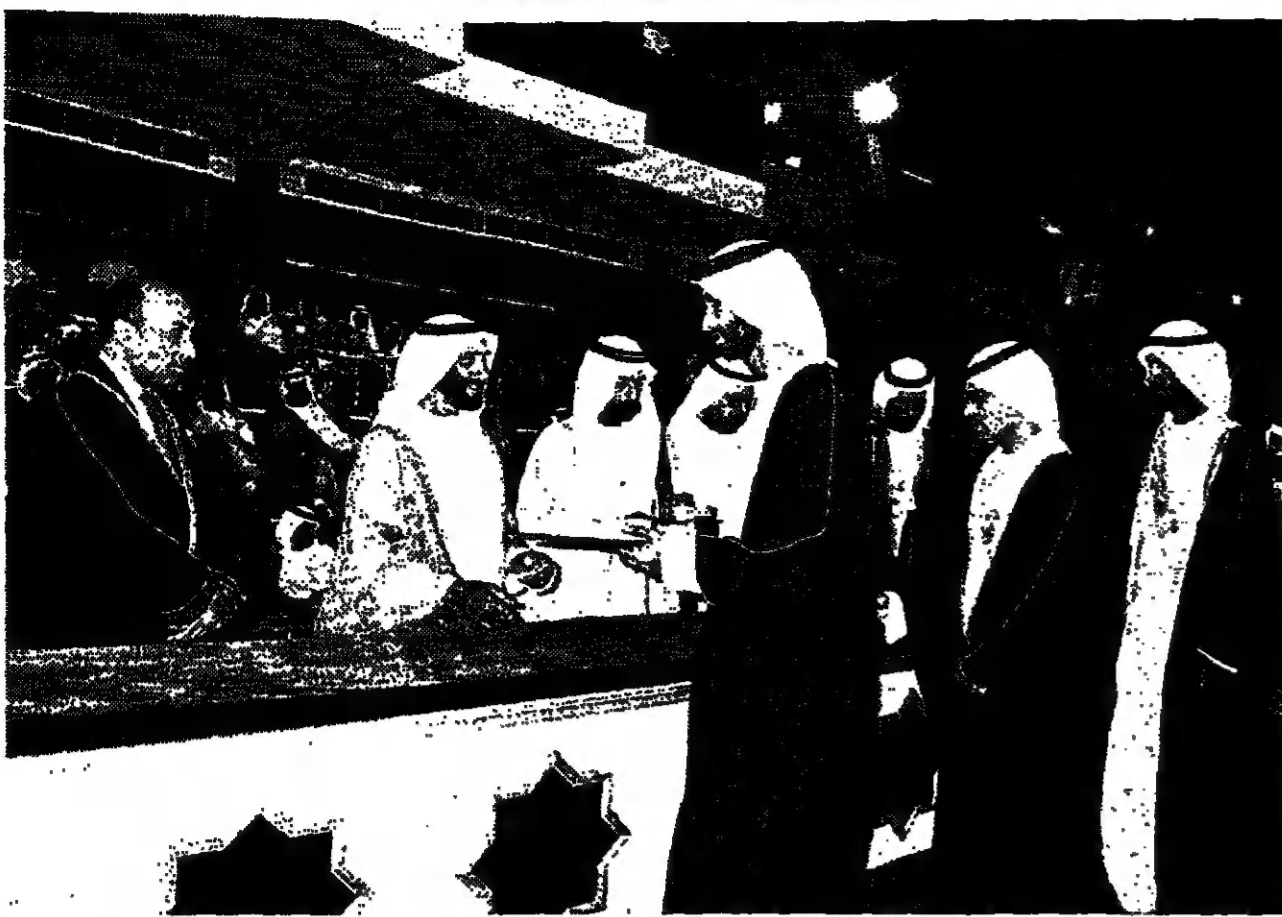
Abu Dhabi's commitments to its people and the world remain concrete, whatever the circumstances. And as during the crisis, the determination continues now. Nothing has changed.

ABU DHABI INTERNATIONAL AIRPORT



(10.)

crel
Lunar Group



Sheikh Zayed presents awards to students at the UAE University in Al-Ain

A bright new generation

ABU DHABI, like its partners in the United Arab Emirates, has a healthy obsession with education. Some 20 per cent of the UAE's federal budget is spent on health and education. In Abu Dhabi, the local authorities and the private sector top this up with further sums. All this has given Abu Dhabi and the UAE one of the most modern and comprehensive education systems among the Gulf countries.

"We realise that many challenges lie ahead and our best preparation is to give our younger generation good educational facilities," said Sheikh Nahyan bin Mubarak Al Nahyan, a member of the ruling family in Abu Dhabi, the minister for higher education and chancellor of the UAE University in Al-Ain.

Progress has been swift. In 1971, the year of the UAE's foundation, there were some 66 schools, with less than 30,000 students. By the 1989-1990 academic year, there were around 475 government schools and education centres, with some 250,000 students. Another 100,000 students attend classes in about 230 private schools throughout the UAE.

The showpiece of the educational system is the UAE University, established in 1977, in Al-Ain, nestled at the foot of the Hafeet mountain in the eastern region of Abu Dhabi. The University opened with just 504 students. Today it has more than 10,000, 80 per cent of whom are female. To cope with the increase in students the campuses are scattered throughout Al-Ain. The University includes well-respected Law and Medical schools.

The University has about 1,000 academic staff, made up of UAE nationals, Arab and American and European faculty members. "Because we have so many foreign teachers there is a turnover of staff as they return to their home universities after a few years with us. However, I do not view this as a problem - rather it enables us to be competitive and to continually recruit teachers of a high calibre," said Mohamed Moustafa, vice chancellor of the University.

The University follows the American system and students have

to get 132 credit hours before they can graduate. From September the University will be offering a two-year Masters course on the Environment.

Last year the Basic University Education Programme, a pre-university course, was introduced for new students. They study Arabic, English, Maths and Computers. There are more than 175 teachers, and some 2,500 have already completed the course. Extensive use is made of interactive teaching methods including videos and computers.

This theme of moving away from just information feeding runs through the University's teaching methods. "In the last few years there has been a critical self-evaluation at the University," said Moustafa. "A new curriculum will be introduced in September, with the emphasis on new technology and information evaluation." Both Sheikh Al Nahyan and Moustafa are keen to involve the University with society's needs and problems. "It is very important," said Moustafa. "The aim of, say, the Agricultural department should not be just to turn out graduates, but to help in developing the agricultural industry in the UAE."

Take the Law School: it has representatives on committees within the Ministry of Justice, and senior ministry officials come and lecture at the University. Medical students get practical experience in the Emirates' hospitals.

As part of the broader aim of involving the University with the needs of society, a chain of Higher Colleges of Technology was established in 1988. There are two in Abu Dhabi and two in Al-Ain. They are designed to provide a more vocational training in subjects such as engineering, business and banking.

The Colleges will also play an important role when entrance into the University becomes competitive next year. "We have put so much emphasis on education that once entrance to the University becomes more selective, we must be able to offer students an alternative. We have to think of the needs of all students, not just the elite," said Moustafa.

Making the desert bloom

THE 26,000 square miles of the Emirate of Abu Dhabi, nearly 80 per cent of the whole area of the United Arab Emirates, include some of the most inhospitable land on earth. In the west, the Sabkha Matti consists of hundreds of square miles of desolate salt flats, while the huge sand dunes of the Rub al Khali (The Empty Quarter) reach into the south west of the country. Rainfall is irregular and scant. Only the hardiest of vegetation and fauna can survive.

There have always been a number of scattered oases, the best known of which are the Liwa, and the Al-Ain Oases. For the most part, however, the Emirates has fitted well into the foreign image of Arabia, its deserts and sand dunes stretching to the horizon. Over the past 25 years, since Sheikh Zayed bin Sultan Al Nahyan became ruler of Abu Dhabi, the picture has changed dramatically as a massive programme of afforestation of the desert and reclamation of land for agriculture has got under way. Something over 70m trees have been planted, as well as 20m date palms, with more than 100,000 hectares of land now involved in afforestation schemes. The plantations also stretch out into the desert, offering direct, but substantial, benefit to local wild-life.

Besides the desert plantations, the cities and towns of the Emirate have also benefited from the "greening" of Abu Dhabi. The parks and gardens are lush, well-watered places of relaxation for their residents. Abu Dhabi city itself, a conurbation of some 400,000 people that 25 years ago was little but a collection of shacks and sand, has now been dubbed "The Garden City of the Gulf."

Sheikh Zayed has been the driving force behind the programmes. Brought up in the harsh days of the past when finding enough water to drink was more important than watering trees, he has a deep-felt love of gardening and greenery. One recent indication of that was the issuing of an order to the Abu Dhabi Municipality,

(City Council) that no trees were to be cut down without special permission. If a clump of desert acacias stood in the path of a road - move the road. The order underlines that the commitment of Sheikh Zayed, and the Government, to protecting the environment is not simply confined to what man himself can create.

To some, it may seem strange to talk of "conserving the environment" in Abu Dhabi and the rest of the Emirates - after all, isn't it all desert? It is - and it is precisely because of the nature of the country that its environment is so fragile, so balanced on a fine knife-edge, and, naturally, so threatened by the rapid development of recent years. That, too, the Government wishes to protect and preserve.

Since the mid-1970s, hunting has been banned throughout the emirate and heavy fines are imposed on those caught shooting. Also protected are all species of birds and turtles and their eggs.

The Al-Ain Zoo, the largest in the Middle East, is winning a reputation for its breeding of endangered species such as the Arabian Oryx. Several areas, including the offshore island of Sir Bani Yas, have been turned into nature reserves where, with food and water supplied by man, thousands of gazelles run free.

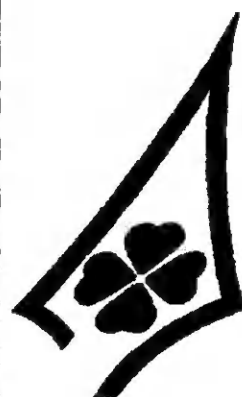
To add an international flavour, the United Arab Emirates last year rejoined the Convention on International Trade in Endangered Species of Flora and Fauna (CITES) with a commitment to prevent unscrupulous international smugglers of ivory and other goods using the UAE to circumvent international law.

Abu Dhabi and the United Arab Emirates will never have the rolling prairies of North America or the dense vegetation of the African jungle. All that man can do to make the desert green is, however, being done, while care is being taken to conserve the environment for future generations. What has been achieved so far is indeed quite remarkable.

Dassault Aviation offers many

CONGRATULATIONS TO HIS HIGHNESS SHEIKH ZAYED BIN SULTAN AL NAHYAN

On the occasion of the 25th Anniversary of His Accession as the Ruler of the Emirate of Abu Dhabi, and their best wishes for future progress under His Highness's leadership.



DASSAULT

AVIATION

Greet His Highness Sheikh Zayed Bin Sultan al-Nahyan

on this historic occasion and convey to His Highness their best wishes of good health and to the people of the United Arab Emirates further progress under His Highness's wise leadership.

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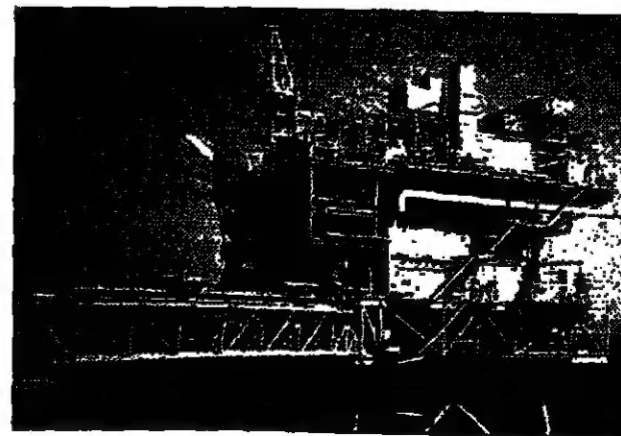
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TOTAL HAS THE HONOUR TO CONVEY ITS WARM AND SINCERE GREETINGS TO THE PRESIDENT, HIS HIGHNESS SHEIKH ZAYED BIN SULTAN AL NAHYAN, THE LEADERSHIP AND THE PEOPLE OF THE UNITED ARAB EMIRATES, ON THE OCCASION OF THE SILVER JUBILEE OF THE GLORIOUS ACCESSION OF HIS HIGHNESS SHEIKH ZAYED AS THE RULER OF THE EMIRATE OF ABU DHABI

Total has been operating in the United Arab Emirates for several decades, and is proud of having the opportunity to play a major role in the development of the oil and gas industry in Abu Dhabi.



Through its technology and expertise, Total has been actively participating, along with the Abu

Total contributes to the Emirate's production of LNG and LPG as a shareholder in Abu Dhabi Gas Liquefaction

Company (ADNOC). In several joint ventures that cover various activities in the oil and gas industry. Total is involved in onshore oil exploration and production operations as one of the shareholders of Abu Dhabi Company for onshore oil operations (ADCO). It has been very active in the offshore oil exploration and production field through its participation in Abu Dhabi Marine Operating Company (ADMA-OPCO), Zakum Development Company (ZADCO) and Total Abu Al Bukhoosh (Total ABK).

Company (ADGAS) and in Abu Dhabi Gas Industries Ltd. (GASCO). It is also involved in the production of fertilizers through Ruwais Fertilizer Industries (FERTIL). Total has also contributed to the development of agriculture in desert areas, and is currently engaged in researching new technologies for the development of palm trees.

As in the past, Total will continue to fulfill its commitments to the United Arab Emirates and to the development of the oil and gas industry in the country.

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مصرف العرب

TECHNOLOGY

A GLOSSARY OF MOBILE TERMS

Cellular radio is a two-way mobile phone service using either carphones or hand portable units. Its name derives from the fact that the radio operator divides the area to be covered into a series of cells, each with a base station in the centre of each cell. To prevent interference, no two cells use the same frequency. Cellular radio was introduced during the 1980s using analogue radio technology.

Mobile - or Groupe Spéciale Mobile - is the name used to describe the digital radio introduced in Europe. GSM uses digital transmission, and the same series of radio frequencies have been allocated to GSM Europe (unlike the analogue which was particular to one country) subscribers from one country will be able to travel to another and still use the service in his or her car or pocket.

Personal Communications Networks (PCNs), which should be launched in the UK in 1993, are based on digital standards of radio frequencies which will allow higher frequencies where there is more capacity. By manufacturing the huge volumes, and companies hope to make the most use of the frequencies.

Landline phones are domestic phones in which the curly cord that connects the handset to the base is replaced by a radio link, making the phones useful for use in large gardens, or those who wish to plug into an ordinary telephone network like a simple phone.

Telepoint is a UK service based on mobile phone technology. Unlike cellular, GSM or PCN, telepoint networks do not need a base station. Instead, a telepoint base station is located in a public place, such as a railway station, and plugs into a landline network by the phone company. Calls can be made using the handset, and the handset cannot receive incoming calls.

On July 1, with a fanfare and a flourish, the pan-European cellular radio system was due to open in major cities from London to Madrid. But the occasion was marked by an embarrassed silence. The month came and went, only a handful of trial services were in operation and no phones were approved for use.

Of greater concern than the setbacks in the introduction of the service - most companies involved acknowledged - was the year that delays were inevitable - whether the European system will live up to its reputation as the 1990s' consumer equivalent of the compact disc and the serious of Europe's electronic equipment makers.

For the consumer, the promise of the pan-European service - called GSM after the Groupe Spéciale Mobile which it is - is the ability to use the same phone in Paris, Bonn or Rome and be billed by a single phone company back home. It is because the digital radio networks are still in the infancy of today's radio networks.

Competition in the pan-European cellular service comes both from more advanced technologies, in particular personal communications networks (PCNs), and from the established cellular radio services. "We've been arguing for some time that GSM is nothing more than a replacement technology for the analogue service," says Ian Rees, group manager of wireless communications at BIS Consulting. "The initial growth in the market could be in just taking up underlying demand."

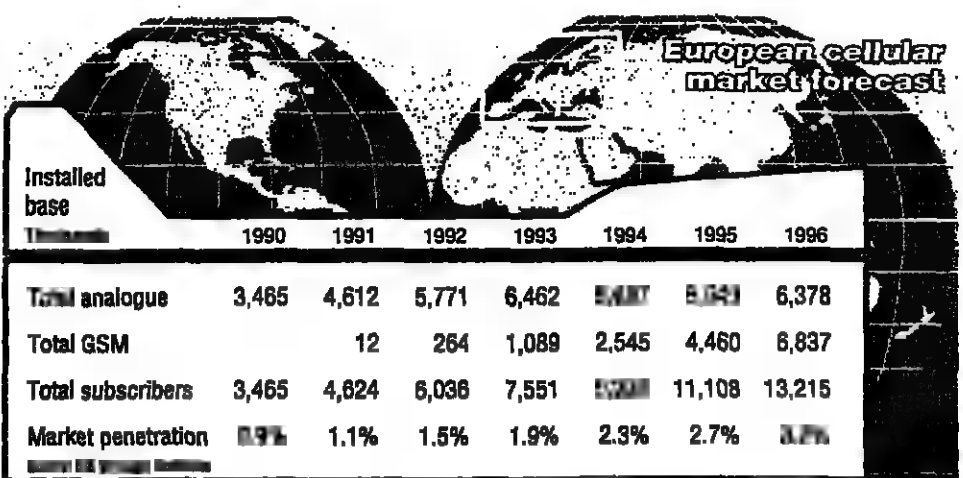
Evidence in Scandinavia - where consumers were reluctant to move from the congested NMT 450 service to the higher frequency NMT 900 one until the new service had achieved geographical coverage comparable with the older one - suggests that customers are unlikely to shift from their existing phones to GSM units until most areas in the home countries are covered.

The "roll-out" of the services, as it called, will vary according to demand and competition. Only in Belgium is there any great need for the service today. And in Italy and Spain, relatively new converts to cellular radio, the analogue service is still a novelty.

In the UK, where the two existing cellular radio companies, Cellnet and Vodafone, will be adding the digital cellular service to their existing analogue one, there is little

Della Bradshaw on progress in the development of European mobile telecommunications network

Crossed wires face the chop



pressure to spend money on the digital infrastructure. It has invested heavily in analogue capacity in its analogue networks in the years of continuing growth. Now hit by the recession call volumes have slowed and they have ample spare capacity.

Only the threat of PCNs, which are scheduled to launch in 1993, will force them to play the digital card. PCN promises - and fulfilment of the promise is a long way off - lightweight digital handsets at lower prices than GSM, creating a product targeted squarely at the mass market.

Vodafone plans a GSM service in the south-east of the country by late 1993 and intends to cover the rest of the UK population by the end of 1994. Not until the end of 1994 will it offer the same sort of national coverage that the analogue service offers today.

In Germany, competition has been introduced in the form of Mannesmann Mobilfunk, a private company, and the US

"Baby Bell", and Cable and Wireless, of the UK. With analogue phone services in full swing, the Mannesmann consortium has no alternative but to market its service back - a move which the Deutsche Bundespost Telekom Bundespost will have to accept.

Mobilfunk has started trials of its "D2 privat" service in 15 urban areas and plans to operate a full commercial service later this year with coverage to 80 per cent of the German population by the end of 1992.

At least £1.2m for a hand portable and up to £2.5m for a car phone is likely to prove attractive in the German consumer - they are not dissimilar from those already charged for phones to work on the existing radio phone network.

But the figure is considerably more than the giveaway prices of analogue cellular phones in the UK today. The appearance of the phones, particularly hand portables, could also be detrimental to the popularity in the UK, says Don Burns, corporate vice president and general manager of Motorola's European Cellular Subscriber division.

He points out that today's portable phones can be stored in a pocket, while the portable

phones for GSM will be the size of a small brick. And further developments on analogue phones mean that they are likely to be smaller. Mobile manufacturers believe it will take until 1995 before there are more digital phones than analogue ones in use. But by the end of the decade phone companies could be exploiting the digital capabilities of the networks to offer extra services from mobile facsimile and personal computer services.

Still in question, though, is whether the pan-European collaboration can create a strong European electronics manufacturing base and keep Japanese manufacturers - which have dominated the UK market for analogue cellular phones - out of the market. On the infrastructure side (the exchanges and the base stations) Alcatel, Ericsson, Motorola, Nokia and Siemens are the big players.

What company will prove dominant in the handset market is still questionable. The Japanese manufacturer is yet thought to have negotiated licensing agreements with manufacturers such as Motorola and Philips, which precludes the rights to manufacture. (Although GSM is seen as an open standard, its specification infringes patents from several

manufacturers, who are licensing the right to use these to other equipment makers.) However, one source that Japanese manufacturers will want to participate. "I believe they will all move in it gets down to the consumer level and brand awareness becomes important," says a very well-known in the communications business, few people recognise it as a European company, unlike Sony and Panasonic.

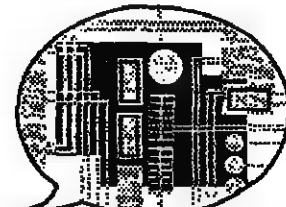
European manufacturers will be unable to sell their equipment outside Europe. Motorola licenses them to do so - the licensing fee is so high that it is only for equipment in Europe. And even if Motorola concedes, the countries now favour GSM. Australia, New Zealand, the Gulf states and some African countries are potential markets, but the UK and Japan - the two potential markets - are both veering towards different digital standards.

In the short term, however, the main focus has to be on getting services in operation. The tightness in the original schedule, in particular in the building of enough base stations, has caused the setbacks, says Garry Garrard, mobile communications manager at PA Consulting. "The worst thing that could happen for any operator would be to introduce a service and then run into problems because the network wasn't fully tested."

Delays in setting the specification and the delays in developing the equipment to test the phones. The complexity of the 2,000-page specification and the time when phones were submitted the tests could take up to three months to complete.

Turning aspirin into a profit

By John Galloway



GUEST COLUMN

A pharmaceutical company's dream come true? A drug with several promising applications and hundreds of thousands of patients a year worldwide taking it long term. But it is an opportunity for industry - or only a dilemma?

The drug is aspirin, medicine's old friend. It sells for no more than a penny a tablet and is unlikely, even in the best possible circumstances, to make companies rich. Indeed, it would be a case of corporate ingenuity for companies to make benefits for themselves from aspirin to match those flowing so strongly from other sources of preventive medicine.

Aspirin's latest accolade came earlier this year in papers in the *Lancet* and the *Journal of American Medical Association* (JAMA). In approximately a tenth of pregnancies, nancy causes high blood pressure in the mother which can lead to a severely underweight baby. Low birth weight is the clearest indication of poor health and development in a young child. In extreme cases the baby may be born dead.

In the JAMA paper, Dr. Thomas Imperiale and Alice Petrulis of Case Western Reserve School of Medicine pooled the results of a number of clinical trials looking at the effectiveness of aspirin in reducing the risk of pregnancy-induced high blood pressure. The risk seems to be reduced by approximately 65 per cent, that of a severely low birth weight baby by 50 per cent.

Aspirin has also been shown to reduce strokes and heart attacks in the people at particularly high risk by preventing blood clots. Aspirin seems to be just as effective as much more expensive drugs with similar modes of action, like ticlopidine used to prevent strokes, and streptokinase, the well-known "clot buster" widely publicised as a treatment after myocardial infarction.

The advantage in the pharmaceutical industry of drugs like ticlopidine and streptokinase is that they are widely used, but their cost, however, makes them prohibitive for many patients. Aspirin, on the other hand, can be

made available for everybody.

The answer lies in being able to patent methods of adding value to the aspirin itself. Interestingly, one of aspirin's drawbacks has suggested a way forward. Aspirin upsets the stomach in some people who take it. It may cause bleeding from the stomach lining. Coating the aspirin to delay it from being absorbed until it has passed through the stomach is one way of making aspirin less irritating - and more palatable in marketing directors. Lilly Industries, for instance, markets its version as "Nusels" at about 100 for 100 tablets.

Another solution might simply be to exploit our patients' forgetfulness as patients who actually take no drugs. Perhaps as many as a third of people are unable to comply with a simple prescription or develop the habit of taking drugs regularly.

This is a problem that applied psychologists and others with an interest in the practical side of medicine have been addressing for years. The packaging of contraceptive pills aims to ensure that women do not forget to take them. Possibly more effective opportunities are opening up by miniaturisation of electronic components. These experimental devices work by taking patients' compliance in taking medication long term.

Experimental versions are already being developed with visual aids. There seems to be plenty of scope for doing something interesting and useful for the increasing number of long-term aspirin users and turning a respectable profit as well.

The author is former director of public relations at the Cancer Research Campaign.



Treuhandanstalt Branch Frankfurt/Oder

Tender for the sale of companies in the eastern hinterland of BERLIN/GERMANY

Treuhandanstalt Branch Frankfurt/Oder herewith announces the tender for the sale of presently wholly owned companies in the region East of Berlin/Germany, between Berlin and Poland, as listed below (in brackets: type of business and present number of employees):

Bauhilfeschmidt GmbH
O-1330 Schwedt
(construction, reconstruction, 62)

BauTito GmbH
O-1300 Eberswalde-Finow
(civil engineering, 500)

BSP-Baubetrieb Bernau GmbH
O-1200 Bernau
(civil engineering, gravel production, 115)

Elektro- und Anlagenbau GmbH
O-1240 Fürstenwalde
(electrical installation, 80)

Elektro- und Anlagenbau GmbH
O-1240 Fürstenwalde
(civil engineering, tracks, 7)

Heizungs-Elektro-Sanitär GmbH
O-1320 Angermünde
(electrical and sanitary installation, 78)

Hochbau Friderdorf GmbH
O-1273 Friderdorf
(general engineering, construction, 70)

Hoch- und Tiefbau GmbH
O-1230 Angermünde
(civil engineering, construction, 70)

Ingenieur- und Tiefbau GmbH
O-1200 Frankfurt (Oder)
(roads, parks, development, 217)

Stadtbau-GmbH, Frankfurt (Oder)
O-1200 Frankfurt (Oder)
(civil engineering, construction, 310)

Tiefbau GmbH Eisenhüttenstadt
O-1206 Eisenhüttenstadt
(civil engineering, 32)

Consulting engineering

Beufon GmbH
O-1200 Frankfurt (Oder)
(civil engineering consulting, 150)

Finow Planungsgesellschaft mbH
O-1300 Eberswalde-Finow
(civil engineering consulting, 11)

Frankfurter Architekten und Ingenieure Planungs GmbH
O-1200 Frankfurt (Oder)
(civil engineering consulting, 135)

Betonwaren- und Vertriebs GmbH
O-1220 Eisenhüttenstadt
(concrete stores, 95)

Bad Freienwalder Feuerlösch-Werke GmbH
O-1310 Bad Freienwalde
(fireproof ceramics, 295)

Tonwerk Werbellinsee GmbH
O-1304 Joachimsthal
(bricks, 85)

Autoservice GmbH
O-1200 Frankfurt (Oder)
(car trade and maintenance, 2)

Dienstleistungs GmbH
O-1280 Bernau
(general services and trade, 75)

Felto Tours Reisen GmbH
O-1200 Frankfurt (Oder)
(tourism, 15)

Frankfurter Dienstleistungsges. mbH
O-1200 Frankfurt (Oder)
(dry cleaning, 210)

Größwätscher GmbH Bad Freienwalde
O-1210 Bad Freienwalde
(laundry, dry, 80)

HAWA-Großmarkt GmbH
O-1200 Frankfurt (Oder)
(general services, 7)

Landmaschinen, Fertigung- und Vertriebs-GmbH
O-1210 Bernau
(agricultural machines trade and services, 41)

Landtechnik & Maschinen GmbH
O-1202 Briskow-Finkenheerd
(agricultural machines trade and services, 35)

P & C Print und Copy Service
O-1310 Bad Freienwalde
(printing, copying, 5)

Gestüt Samow GmbH
O-1294 Groß Schenke
(horse tourism, 38)

Strausberger Service GmbH
O-1260 Strausberg
(general services, trade and maintenance, 180)

Electrical engineering

Delta Löttechnik GmbH
O-1255 Woltersdorf
(soldering equipment, 85)

Elektromechanik Lychen GmbH
O-2093 Lychen
(electrical motors, 127)

Wood/Furniture

Bauelemente GmbH
O-1300 Eberswalde
(doors, 5)

Holzverarbeitungsbetrieb HVB GmbH
O-1301 Lunow
(wooden bungalows, 75)

Klosterfelder Holzverarbeitungs GmbH
O-1295 Klosterfelde
(kitchen and office furniture, 140)

Leistungwerk Schorfheide GmbH
O-1254 Groß Schenkebeck
(woodcarving, 42)

Märkische Holz GmbH
O-1291 Neuhardenberg
(interior wood installations, 85)

Märkische Tischlerei GmbH
O-1300 Eberswalde
(doors, windows, pallets, 42)

Uckermarkische Holzverarbeitungs GmbH
O-1305 Oderberg
(pallets, wooden coffins, 59)

Machine tools/Metal working

Armaturenwerk Kietz GmbH
O-1211 Kietz
(brass pieces, couplings, 15)

Brandenburger Email GmbH
O-1320 Angermünde
(metal forming and coating, 40)

Maschinen- und Stahlbau GmbH
O-1220 Eisenhüttenstadt
(machine construction, 125)

Fahrzeug- und Maschinen GmbH
O-1214 Lidersdorf
(machine construction, agric. machine sales, 38)

Finow Stahl GmbH
O-1300 Eberswalde-Finow
(steel and alum. construction, steelrope, 80)

Hydraulik Maschinen GmbH
O-1260 Strausberg
(piling equipment, 38)

Maschinen- und Fahrzeug GmbH
O-1320 Angermünde
(steel and container construction, car maintenance, 250)

Märkische Maschinen- und Fahrzeugbau GmbH
O-1231 Bärholz
(steel containers, steel construction, mechanical engineering, 37)

Metallbau, Installation und Ausrüstung GmbH
O-1221 Ossendorf
(steel and container construction, 70)

Metallbau GmbH
O-1291 Ahrensfelde
(machine construction, 19)

MSG
O-1300 Eberswalde
(machine construction, 37)

Pneumatik Frankfurt GmbH
O-1200 Frankfurt (Oder)
(pneumatic engineering, 8)

Rationalisierungs- und Maschinenbau GmbH
O-1200 Frankfurt (Oder)
(general machine construction, 82)

Schiffsmaschinen- und Leuchtenbau Finow GmbH
O-1300 Eberswalde-Finow
(aluminium castings, swivel gears, 400)

Stahlbau, Ausrüstungs- und Montagegesellschaft mbH
O-1311 Grätz
(general machine construction, 28)

Stahlbau und Lade-technik GmbH
O-1284 Herzfelde
(transformers, 11)

UNITECH GmbH
(general machine construction, 78)

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Backwaren GmbH
O-1220 Eisenhüttenstadt
(bread and, 270)

Fürstenerberger Fleischwaren GmbH
(meat slaughtering and processing, 500)

Kostenträgererei Naustale GmbH
O-1222 Naustale
(brewery and soft drink trading, 63)

Langenwälder Getränke GmbH
O-1241 Langerwäld
(soft drink trading, 44)

MARO Kaffeebohnen GmbH
O-1200 Frankfurt (Oder)
(coffee, tea, 47)

Schorfheider Fischerei-, Produktions- und Handels GmbH
O-1304 Joachimsthal
(sweetwater fish production and trading, 62)

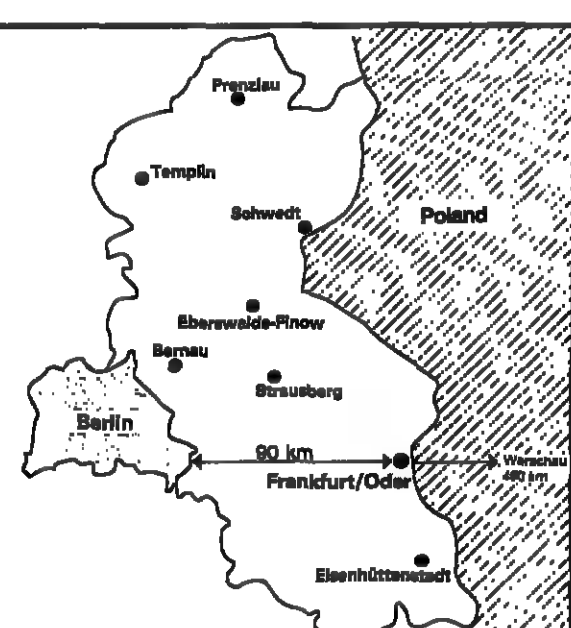
Tender conditions:

- Everybody is entitled to bid. Bids are to be in the local currency of the company. All offered companies are in the legal form of a limited liability company (GmbH) and are of small and medium size. They are all located in the region East of Berlin, between Berlin and Poland. All companies are presently wholly owned by the Treuhandanstalt. Previous owners, if known, will be treated according to the applicable law.
- Each bidder is requested to make his own physical inspection and assessment of the company. The Treuhandanstalt has been instructed to provide each and every information required.
- The written bids are to be submitted to the Treuhandanstalt Branch Frankfurt/Oder, Office 1000, Monday through Friday 9 a. m. to 4 p. m.
- Closing date for the bids is September 10, 1991, at 2 p. m. Bids are to be submitted to Treuhandanstalt Branch Frankfurt/Oder, Tenderbox ground floor. Bids by registered mail must arrive latest by that date. The bids will be opened immediately thereafter in the presence of a notary public.
- Bids are to be submitted in a sealed envelope marked with the name of the company for which the bid is submitted.
- Bids are to be in the Deutsche Mark and valid for ninety days after closing date.
- The bids have to include a statement on the intentions of the bidder regarding the envisaged use of the company, e.g. continuation in its present form, change of product line, mergers etc. To be included are also investment and employment forecasts for the next three years.
- Bids have to be accompanied by a bid bond of five percent of bid value in the form of an irrevocable bank guarantee valid for ninety days after closing date. The bid bond will be returned to the unsuccessful bidder immediately after the final decision is made. The bid bond will be retained if the successful bidder fails to accept the decision.
- Decisions on the bids will be made by the Treuhandanstalt Branch Frankfurt/Oder. Treuhandanstalt is not bound to accept the highest or any bid. The statement according to para 7 of these conditions is of main importance. Binding cooperation agreements with the offered companies will be evaluated if submitted together with the bid.

These tender conditions are issued from the German language. In case of dispute the German wording will prevail.

When contacting the Treuhandanstalt Branch Frankfurt/Oder, please use telex or fax rather than mail.

Hans H. Lörken Director Treuhandanstalt Branch Frankfurt/Oder



Treuhandanstalt Branch Frankfurt/Oder

Halbe Stadt 7 · D-(O)-1200 Frankfurt/Oder

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Today's young artists **are** all head and no heart, says **William Packer**

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Tuesday August 6 1991

Why BCCI matters

THE TORRENT of fraud disclosures about the Bank of Credit and Commerce International over the past few days has transformed a scandal about which too little was known into one which has global dimensions. But the accumulation of fraud from last week's court indictments in the US, along with the publication of BCCI auditors' reports, does enable some judgments to be made about the issues raised by this monetary affair.

It falls broadly into two areas, regulatory and political. In the first comes the central question of how this bank was able to perpetrate not just a fraud, but at the same time to avoid detection for a period lasting a decade or more. The chief manipulators within BCCI had masters of the art of deception, and cannot have been easy for auditors and supervisors to glimpse the truth. One insider managed to blackmail the bank for \$32m with the threat that he would reveal all — an indication of the value to BCCI of secrecy.

However one point which emerges clearly from the central Price Waterhouse report on the BCCI frauds was not only fundamental to the bank's operations but also required the collusion of a number of its shareholders and directors, and even of other banks. That makes it more surprising that evidence of the frauds was not picked up outside.

False or deceitful?
BCCI appears to have been helped by a disinclination of supervisors and auditors to believe the bank's story. The PW report on the bank in April 1980, prepared before fraud was confirmed, describes BCCI's losses and account manipulation in some detail, and also expresses concern about the large loans made to shareholders. Yet, ingeniously it now seems, it never raises the possibility that fraud might underlie practices which looked very strange, even by the creative standards of the time. There is only a single reference to a set of transactions which PW says have been "misleading".

It was not until a year later

that the alarm bells were rung, and the supervisors moved in. One of the main questions that will have to be addressed by the numerous inquiries now going on into the affair is whether this was a credit to the effectiveness of dissimulation within BCCI, or whether there was regulatory failure. If the latter, the repercussions among the agencies in countries which were responsible for supervising BCCI will be considerable, and wide-ranging.

Criminal activities

The political shock waves from the affair are spreading mainly in the US, where revelations about BCCI's involvement with the intelligence community threaten to drag in some prominent political figures. The suggestion is that several government agencies knew of BCCI's criminal activities for years, but never told the banking authorities. However the high profile approach adopted by public prosecutors and congressional investigators makes it harder to see the affair's real impact.

It needs to be known about BCCI's connections with the CIA, even if these were substantial, their effect will depend on how much the US public has for yet another spy scandal. Political circles have also hit the third world, in particular the Gulf states and Pakistan, where BCCI had its origins and ownership. The scandal made in these countries a deliberate attack by the industrialised world on a leading third world institution is without foundation. The information now in the public domain makes clear that BCCI would have been shut down regardless of its origins.

But the west will not be able to ignore the effect of the closure in the third world, because the repercussions will not be confined to the banking community. The fact is, however, that the revelations by which the international financial markets operate are to a great extent set by the west. The third world will have to come to terms with this if it wants to develop institutions which are ambitious to play the international stage.

Asean seeks a new role

THE members of the Association of South East Asian Nations are good at expressing fellowship with each other. The recent meeting in Kuala Lumpur of the foreign ministers, followed by annual dialogue with major trading partners, resulted in a bonhomie. But questions about Asean's future role went unanswered. Its leaders do not seem to know. If they do not, other stronger nations are likely to know them in their own minds.

The association — Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand — was founded 24 years ago to ensure neutrality and has more recently had conflict of the Cambodian revolution as its uniting cause. As Cambodia edges back towards the fold, Asean needs a raison d'être.

This should not be in question. The grouping has a geographic sense and, as developing countries with similar economic interests, its members would appear to have a lot to gain from co-operation. Moreover, it makes sense for the rest of the world to see Asean as a voice, and in harmony, in dialogue with the US, the European Community and others are well-established and productive.

Understandably nervous
But Asean exhibits common sense in its direction. Attempts at economic co-operation have had little substance, though this is hardly to be faulted. The Asean meeting as observers betrayed Asean's confusion. Their closer involvement would not be compatible with security talks. For both its economic and political future, therefore, next January's summit of Asean leaders in Singapore will be crucial. Before they meet, officials and ministers need to establish common ground. Another display of divergent views about the region. A south-east Asia divided by rivalries and jealousies would destabilise the security and development of the region. It would be a poor climate for Vietnam, Cambodia, Laos and Burma, all potential members. But out in the footsteps of their richer neighbours.

Ever since the dash to German reunification started with the breaching of the Berlin wall in November 1989, Chancellor Helmut Kohl's government has been hammering out one central theme: German unity must inevitably spur on European unity.

This latest assumes such dominance in Germany both because of the memory of the world war and because of the genuine Europe-mindedness of its people — that challenging it is up to an on the credibility of German politics.

Now, however, nearly 10 months after the nation was reformed on October 3, doubts are arising in the crucial area of European Monetary Union (Emu). At the heart of Germany's commitment to pooling sovereignty with its neighbours may not after all be flagging.

Mr Kohl vigorously denies that there has been any abatement in Germany's commitment to Emu. A single European currency managed by a European central bank — a process which would end with the replacement of the D-Mark by the European Currency Unit (Ecu), and with the downgrading of the independent Bundesbank to the status of a regional central bank without powers of its own. "I don't know where you get your scepticism from," he declared recently. "We have absolutely not changed our position."

Nonetheless, the multiplying factors that Germany has to absorb depression-hit Germany, West Germany's channelling DM 140bn in public sector transfers to east Germany this year, the crisis in public finances likely to last several years, Bonn is in no mood to underwrite expensive support for less developed European regions, which countries such as Spain are demanding as part of an Emu bargain.

Second, with unity completed, the Bonn government will need to make tactical gestures to give up part of its sovereignty to its neighbours in the delicate phase of October 1992. One of these confidence-building exercises was a communiqué from President François Mitterrand and Chancellor Kohl in April 1990 stating: "Our objective is that these fundamental reforms — economic and monetary union as well as political union — should come into force on January 1, 1993, as a result of national parliaments."

The statement, negotiated directly between the Bonn Chancellery and the Elysée Palace (deliberately without the knowledge of the Bundesbank) has now been quietly forgotten.

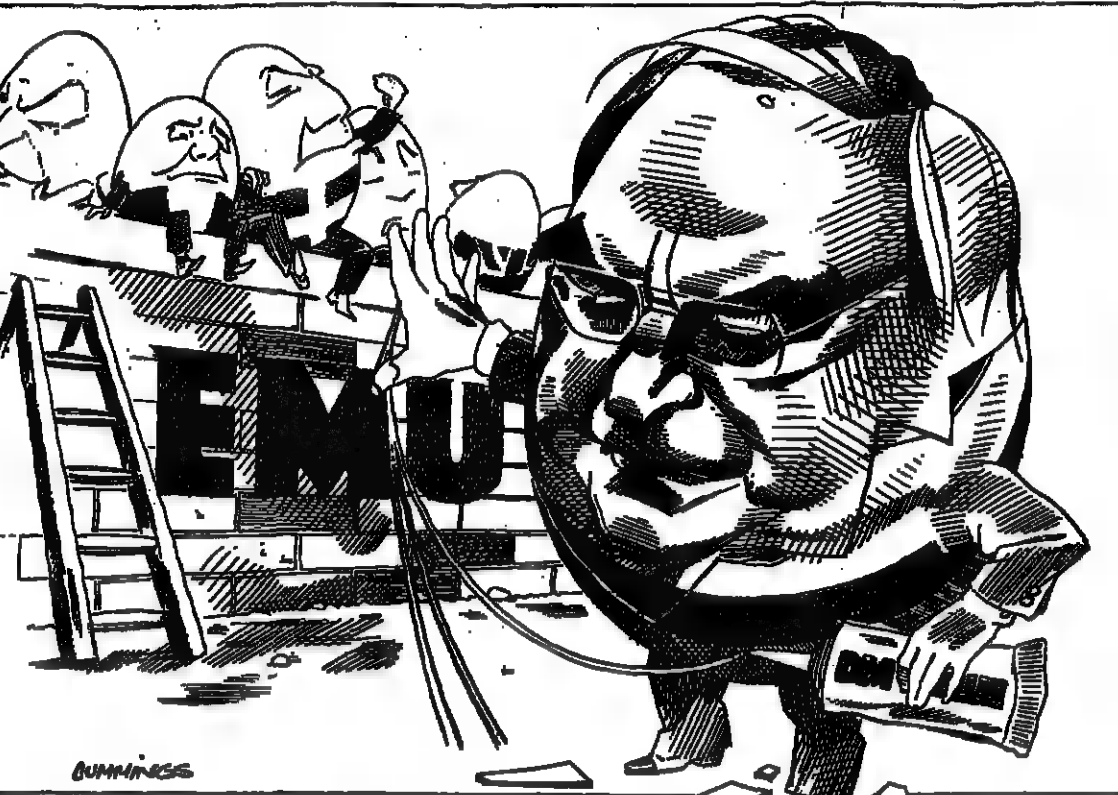
One distinguished politician in Bonn, Mr Kohl's Christian Democrat party, speaking of the Gulf states and Pakistan, says: "He was quiet at home. The man is a genius. By giving the impression of slowing down (on Emu). The politician predicts: 'Economic and currency union (with Europe) will go more slowly than last year. And this year, it will go more quickly than next year.'"

There is no small yet, but there are some nasty poisons coming from the normally soporific pool of Britain's spa towns. Ian McCrae, chairman of The British Spas Federation, has had to give Royal Leamington Spa no less, a public warning in a real money. Now Lord Brewer, a west Berlin financier, plans to employ Krenz as a manager with responsibility for investing in low-cost housing. The idea is not as crazy as it may sound. An enormous housing shortage is forcing the German government to boost subsidised housing. Brewer, who takes "particular pleasure" in teaching an ex-Communist leader the capitalist ropes, has faced tougher competition he had to knock into business shape is Bubi — the former German heavyweight champion found guilty of homicide.

Musical chairs
In the sixteen years since Tim Rice and Andrew Lloyd Webber last collaborated, on *Evita*, they have enjoyed mixed fortunes, but fortunes is definitely the word. Rice, 46, the lyric man, had a modest success with the musical *Chess* but has prospered by cashing in on his encyclopaedic knowledge of pop music and producing successful books on the charts. He has also found plenty of time for his other great love, cricket. He is a natural choice to chair the new Foundation for Sport and Arts which will have £50m a year to distribute to worthy causes. By contrast, Lloyd Webber's greatest commercial successes have been since he split with Rice, notably *Cats*, the most successful musical in history, which generates royalties in excess of £1m a day. Last year Lloyd Webber, now 48, bought

David Marsh examines why Bonn's commitment to the crucial issue of Emu has lost its sense of urgency in recent months

Germany gets the monetary jitters



Understandably, a country which has built up one of the strongest currencies in the world, Germany has always attached conditions to the moves towards a single European money. As Mr Kohl said last month: "No one is ready to give up the stable D-Mark for an unstable currency. That is just stating the obvious."

Mr Kohl is pleased that the common policy of EC states on Emu contains indispensable German objectives. The mooted EC central bank should be independent from government. Fulfilment of Emu will depend on prior achievement of economic convergence and on greater harmonisation in areas such as fiscal policies. Also, there is now EC-wide agreement with the "two-speed" policy of the Bundesbank: not all Community members need to start on the final phase of Emu at the same time. Germany has proposed that two separate European monetary institutions could co-exist until all 12 EC states are fit to adopt a common currency.

Alongside the planned central bank there would be a council of central bank governors — which the Dutch are already calling the European monetary institute — charged with the job of managing the parity link between the Ecu and the existing national currencies. Mr Kohl added a further important point on monetary union in March when he spelled out that he would not sign an EC treaty unless it parallel EC treaty on political union. He was also ready for signing. On one level, the formal linking of the political and monetary treaties is

entirely logical. Kohl-Mitterrand and communists already dropped a hint of this. By giving up control of the D-Mark, Germany would accede to the long-standing view of countries such as France or Italy that the Bundesbank's de facto dominance over European monetary policies needs to be diminished. In return, it is argued, according to Bonn, that Germany should adopt steps towards common European policies in areas such as crime, immigration or the environ-

Setting up a mechanism for advances towards Emu has slipped down the list of German priorities

ment. And, to increase democratic controls over Community institutions, Bonn wants demonstrably greater powers for the European parliament. One source to Mr Kohl puts it bluntly: "If the others want to control us, they will have to accept our conditions." The problem is that fundamental progress on political union is still bedevilled by differences over defence and security questions which seem unlikely to be resolved quickly. According to Mr Helmut Schmidt, the former West German chancellor and an active proponent of Emu, the idea of linkage between political and monetary union has been "invested" by the Bundesbank and the Bonn finance ministry "to create a hurdle for the

Ecu system". One member of the Bundesbank's policy-making central council admits his belief that the political union condition has been added to prevent monetary union from becoming a reality.

Plainly, if the Bonn government mustered the political will to establish Emu, and was sufficiently sure of public support, it could overrule the Bundesbank as it has done in the past. The Bundesbank — as happened along the road in German monetary union.

However, Emu spread the Bundesbank's clout eastwards. Under Emu — as Mr Karl Otto Pöhl, the former Bundesbank president, pointed out — the central bank's authority would be given up, not extended. According to Mr Hans Matthöfer, the Social Democrat finance minister in Bonn: "The Bundesbank will give up power over the D-Mark only if there is a European central bank which is a clone of the Bundesbank. In the meantime, it will try to delay it."

There is considerable evidence that the government would not risk a showdown with the Bundesbank over a question as sensitive as replacing the D-Mark. Another side to Mr Kohl says that the chancellor well understood the psychological risks of abandoning the currency which is not only the country's symbol, but also the very symbol of 40 years of West German success. Mr Hans Tietmeyer, vice-president at the Bundesbank and a confidant of Mr Kohl, underlined the size of the stakes in a blunt way recently. In contrast to the more conciliatory public utterances on the matter by Mr

Pöhl, both Mr Tietmeyer and Mr Helmut Schlesinger, who has taken over from Mr Pöhl, are well known for their rasping scepticism on Emu.

Although he said he was in favour of European integration, Mr Tietmeyer warned that, through Emu, Germany would "lose a lot, namely one of the most successful and best monetary constitutions in the world". He said Germany needed to retain sovereignty. D-Mark for several more years because of the "difficult situation" after German unity. He added, somewhat ominously: "Unity should not mean down the European unity process. But it should also not speed up the tempo."

One indicator of the shallowness of the entire Emu in Germany is that, all along, the political momentum for the process has been provided not by the finance minister, but by Mr Hans-Dietrich Genscher, the foreign minister. Extremely important technical questions on how eventual conversion of the D-Mark and other European currencies into a European unit could be carried out have so far been largely ignored. In the three great monetary reforms in Germany so far this century — in 1933, 1948 and 1990 — near-worthless, purely domestic currencies ravaged by political crisis were replaced by new units (in 1930, the inconvertible East Mark by the D-Mark). In the European conversion, however, a quite successful hard currency would come to an end. Not surprisingly, one very senior Bundesbank figure draws the conclusion that the Ecu would have to be as stable as the D-Mark and the Swiss franc or yen — a condition which would be near-impossible to achieve — now it is to be accepted.

This is a question which plainly concerns not just the Germans, but the whole international financial community. The D-Mark — become the world's most important currency after the dollar, making up 20 per cent of international currency reserves. Total foreign holdings of D-Marks amounted to DM 900bn at the end of last year (9 per cent up from end-1988). Foreigners' D-Mark liabilities totalled 600bn (up 30 per cent during the past five years).

Working out the interest rate costs for replacing this would represent legal and political quagmire. According to Mr Hans-Joachim Lauth, a former senior Bundesbank official, who is now economic adviser at the Bank for International Settlements, "the losses (for either creditors or debtors) could in individual cases take on dimensions ing to expropriation". One intriguing view about the D-Mark's future comes from a senior French official closely involved in Emu negotiations. He says that, in view of the strains likely to beset the German currency in coming years, Germany will realise that merging its monetary fate with that of its neighbours is in its own interest.

If the German enthusiasm for Emu is expected to pick up again in a year or so, but a crisis afflicting the currency which plays the "anchor" role in the European Monetary System would hardly represent an auspicious launching pad for Emu. If he is wrong, and the D-Mark and the German currency recover relatively quickly from the pain of reunification, then Emu may well remain a mirage.

According to former Chancellor Helmut Schmidt, if Emu is not accomplished before 2000, then it will not happen at all. By the end of the 1990s, he says, the D-Mark — if it has not been replaced by the Ecu — will be "the dominating, overwhelming currency because of the overwhelming formation of capital in a sea of other currencies". By then, he warns, the country will be in a "position of great leverage over the whole of Europe" — and neither the German government, nor the German financial community, will wish to give it up.

Sparring partners

There is no small yet, but there are some nasty poisons coming from the normally soporific pool of Britain's spa towns. Ian McCrae, chairman of The British Spas Federation, has had to give Royal Leamington Spa no less, a public warning in a real money. Now Lord Brewer, a west Berlin financier, plans to employ Krenz as a manager with responsibility for investing in low-cost housing. The idea is not as crazy as it may sound. An enormous housing shortage is forcing the German government to boost subsidised housing. Brewer, who takes "particular pleasure" in teaching an ex-Communist leader the capitalist ropes, has faced tougher competition he had to knock into business shape is Bubi — the former German heavyweight champion found guilty of homicide.

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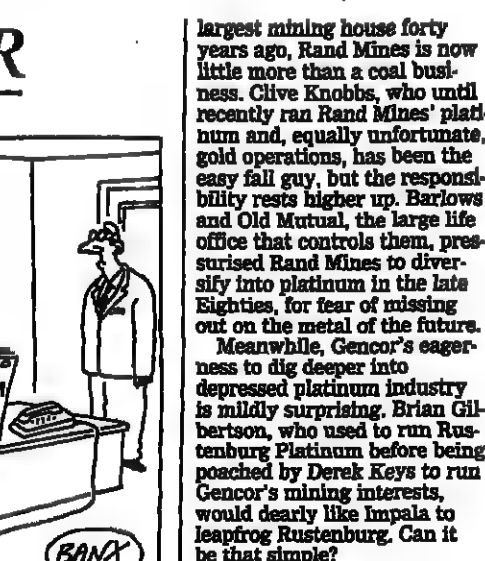
Retooling
Remember Egon Krenz, the 54-year-old former east German Communist boss who opened the Berlin Wall? No. Well, how about Egon Krenz, the property developer?

OBSERVER

Krenz, forced to step down after only six weeks in office, has already proved that he has a nose for the market. Having bought his home in a posh residential suburb of east Berlin for only 203,000 east German marks, it is already worth an estimated £1m in real money. Now Lord Brewer, a west Berlin financier, plans to employ Krenz as a manager with responsibility for investing in low-cost housing. The idea is not as crazy as it may sound. An enormous housing shortage is forcing the German government to boost subsidised housing. Brewer, who takes "particular pleasure" in teaching an ex-Communist leader the capitalist ropes, has faced tougher competition he had to knock into business shape is Bubi — the former German heavyweight champion found guilty of homicide.

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"Why don't we just issue a directive?"
back the Really Useful Company from the Stock Exchange, but the distractions of a new wife, and a new interest — he is learning to share her passion for horses — have persuaded him to sell a slice of his company for close to £20m. Could he be turning into a better businessman than composer?

Expensive bet
With the price of platinum dropping below \$350 per ounce for the first time since 1986, the powers that be at Barlow Rand, South Africa's industrial flagship, must be feeling pretty sheepish. Two years ago Barlow Rand's former chairman Mike Rosholt was boasting that "platinum will be the catalyst" which will propel Rand Mines into the 21st century as SA's leading mining house. Instead Rand Mines, which Barlow has controlled since 1971, is expected today to announce a distress sale of its platinum interests to rival Gencor's Impala platinum. From being the country's

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in a true sense economic, political. This holds true agricultural questions. The work of Gatt is also applicable by the formation economic blocs in Europe and North America. Political factors are work here also: it

Serbia. "It has to be made clear to the Serbian leadership that this behaviour [redacted] with absolute [redacted] by the international community," he said. "Nobody should be allowed to help put Serbia in the position [redacted] continuing its efforts to

ing with irrationalism and emotions. There are no good guys and bad guys in Yugoslavia today. The place is seething with hatred, pent-up for over four decades. I think things will get worse before they get better."

such as an effective no-nepotism rule or public disclosure of allowance accounts have in effect been kept off the agenda. There is no strong "revolving door" prohibition either on top civil servants or on politicians quitting their public office and

Number One, because in this case public interest and enlightened self-interest are the same. Instead of condemning the *petrole majors* for large up-front pay rises, Citizen Major (or Citizen Kinnock) should follow their example.

individuals entitled to

The work of Gatt is also complicated by the formation of economic blocs in Europe and North America. Political factors are ■ work here also: it

specialists in their highly technical Gatt terminology not easily understandable by politicians and

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Gart would be a much more efficient organisation if its command structure included an internationally well-known and experienced politician as a permanent chairman. The

Carl Henrik von Platen,
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This notice is important and replaces your immediate attention. If you are in any doubt about the action you should take, you should consult your professional adviser.
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INSIDE

Siemens to pursue minority Skoda stake

Siemens, the German electrical and electronics giant, is trying to increase its winning control of the heavy industrial and energy divisions of the Czech enterprise Skoda by agreeing to take only a minority stake.

New Zealand wool hopes

Firmer prices at the first auction of the 1991-92 New Zealand wool season - which is being held in a hot market for 40 years - have led to hopes of a recovery after the difficulties of last year. But prices may not recover much until existing wool stockpiles become more manageable. Page 28

TDG slips 7% in first half
Transport Development Group, the UK's largest transport concern, saw pre-tax profits fall 7% to £16.5m in the first half of 1991, compared with £17.6m in the same period last year. The decline was due to a combination of factors, including a drop in volume brought on by economic conditions and a rise in the cost of fuel. Page 28

Coming back from the brink
The fight to bring life into the ravaged corporate body of Bond Corporation has taken nearly a year of tough negotiation, with the company's management and shareholders in a series of meetings and court battles. The company, which was once a leading force in the insurance industry, is now struggling to survive. Page 28

Lots of room at the inn
Chronic oversupply and competitive price-cutting in the hotel industry. The latest dismal quarter for the industry has led to a series of mergers and acquisitions, as companies try to survive. Page 28

Paper tigers prey on publisher
Four predators are closing in on Southampton-based Southern Newspapers, waiting for a signal from the Monopolies and Mergers Commission that will allow them to pounce. Page 28

Baer up 27% in first half
Holding, parent company of the Julius Baer banking group, saw a 27% rise in its share price in the first half of 1991, driven by a strong performance in its investment management business. Page 28

Chase to sell US leasing businesses

By Martin Dickson in New York

CHASE MANHATTAN, the large New York commercial bank, yesterday announced plans to sell most of its North American commercial leasing business - with assets of \$2.2bn - to four buyers as part of its new strategy of disposing of non-core businesses.

Earlier this year Chase sold its institutional asset management business to Union Bank of Switzerland, the largest Swiss bank. The latest move will help to improve the bank's capital position. In common with other large US banks, Chase has been hit by a combination of factors, including a drop in property loan portfolio and a rise in the cost of funds.

The bank said yesterday that the disposals would not affect big-ticket lease financings for commercial aircraft, other transport equipment and capital projects in the US and abroad. Chase has agreed in principle to sell about \$1.1bn in assets of its technology equipment finance division to GE Capital, the large services subsidiary of General Electric Corp.

The division includes a vehicle vendor finance operation with headquarters in Canton, Massachusetts, and a retail equipment finance operation in Moberly, Missouri. It also agreed in principle to sell its Commercial Leasing (Michigan), an industrial equipment finance business, to about \$800m in assets, to Associates Corporation, which is part of Ford Motor's financial services group.

Chase is selling about \$1.1bn in assets of its Commercial Leasing (Canada) to Confederation Leasing, a \$2 per cent-owned subsidiary of Confederation Life, the largest Canadian life insurer. One's Ohio unit will acquire the business and most of the assets, liabilities and offices of Dana Corp's Diamond Savings & Loan Co. Terms were not disclosed. Banc One will buy a bank office with \$700m in deposits and \$800m in assets in 14 Ohio cities. Banc One, based in Columbus, Ohio, has assets of \$31bn.

Troublesome offspring hits parent's purse

David Owen on Union Discount's problems caused by its leasing unit

THEY SAY Thomas Gray was born in a house on the site of Union Discount's handsome Cornhill, London, headquarters. It would be a mistake to read too much into this chief executive Mr Graeme Gilchrist insists that anyone composing an elegy to the City of London's most distinguished discount house would be premature.

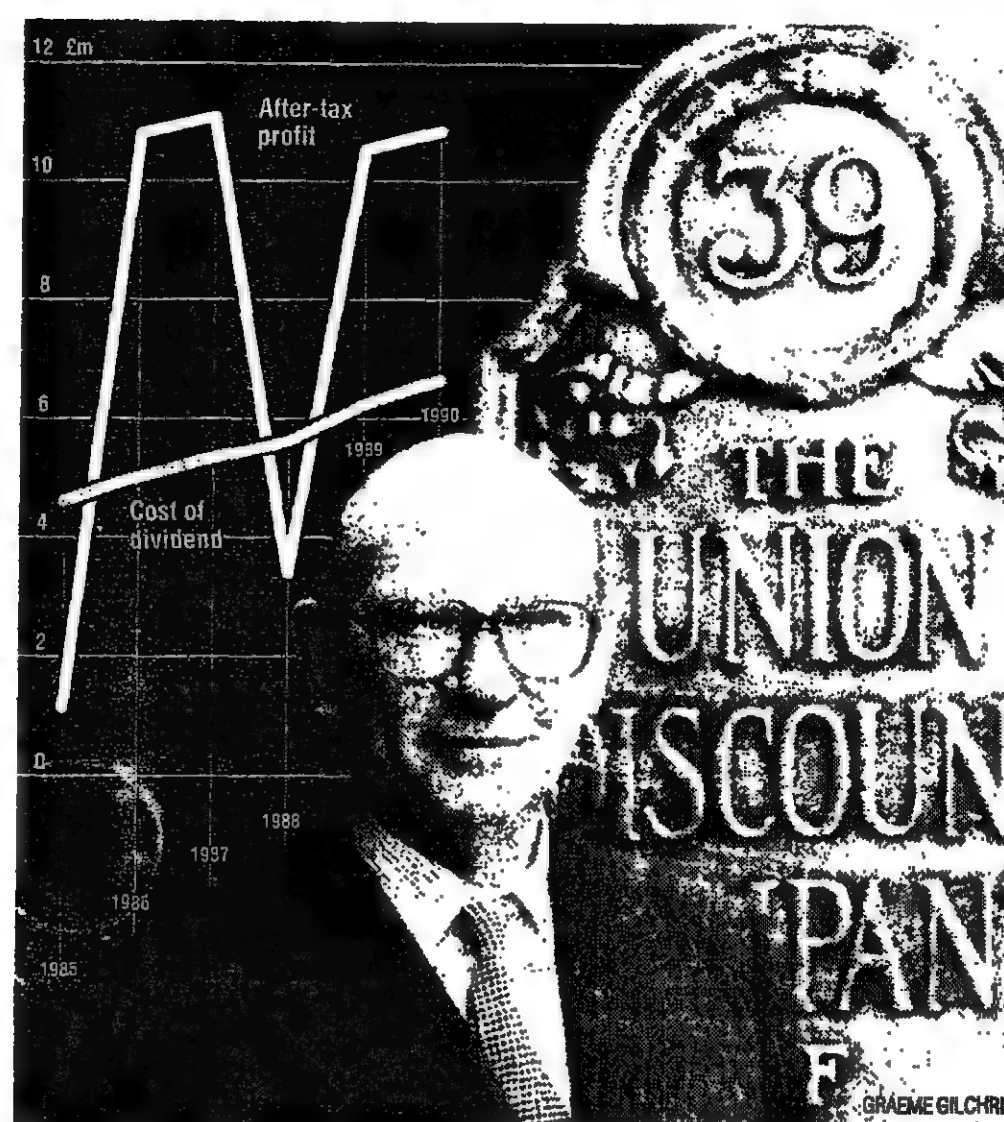
"It is a fair comment that we have a problem," he says of the Sabre office equipment leasing business, largely responsible for the group's 27.25m (£12m) interim loss. "And it is a fair comment that if 100 per cent of Sabre's book went bankrupt we would be in trouble."

But that won't happen - and even if you had a 50 per cent bad debt rate, we would still be alive, roughly. Our current 27.25m provision - 23m of which is in anticipation of second-half problems - represents about 8 per cent of the book.

Notwithstanding his equanimity, Mr Gilchrist must be aware that the leasing debacle is prompting people to lump Union Discount with other UK financial institutions, ranging from British & Commonwealth to the Prudential, which have demonstrated that diversification does not pay.

Mr Gilchrist's response is that he 1986, this seemed a natural evolution: the group - which claims to own the UK's biggest machine tool, located in a British Rail plant in Swindon - had been involved in big-ticket leasing, with the aim of minimising its tax bill, since 1982, so had no expertise.

He also remains convinced that leasing can be an exceptionally lucrative business from which Union will make a profit. The bank (of England) knows we are saying that this is a difficult business to be in and we have shareholders (to whom the company must offer a reasonable return on their investment)," Mr Gilchrist says. In comparison with the low-margin core business, Winterwood Securities, the asset manager's market-maker, which is one of Union's diversifications, offers a fat 25 per cent return on capital.



Graeme Gilchrist: 'Recession has been a killer. Anybody in leasing has suffered murder'

which Union will make "an awful lot of money". He points out that Sabre is not the worst performing of its peer group and argues that many of its problems are due to factors beyond its control. "The recession has been a killer. Anybody in leasing has suffered murder," he says. "Indeed, although it is possible that Union could pull out of leasing altogether, it is equally conceivable that it might choose to exit the inherently volatile and low-margin discount house business that spawned it."

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The group has not been coy about making uncovered dividend payments when necessary in the past, doing so in two of the past six years.

German life insurer attempts to raise DM480m in new stock issue

By Katharine Campbell in Frankfurt

AACHENER & Münchener Leben (AML), the life insurance subsidiary of the Aachener & Münchener Versicherungsgruppe (AMV) group, one of Germany's largest insurers, has priced its new stock at DM1,600 a share.

The sudden rush of new paper from the insurance sector, however, could overburden an already crowded market. AML is raising DM480m (£277m), representing 25 per cent of its capital, via an international consortium lead-managed by Dresdner Bank.

The issue follows the DM800m placement in July. The ex-trade union insurance company also derives more than 75 per cent of its business from writing life policies. Its shares have now slipped to less than DM780. While stock - particularly in bearer rather than the more cumbersome registered form - is normally hard to obtain in closely-held German life companies, analysts are sceptical as to whether this paper can be absorbed during the summer stock market lull.

They predict the success of the issue will have more to do with the mood of the overall market than with the intrinsic value of the new stock. Dealers say the prospect of the AML issue was dampening enthusiasm for the Volksbank offering, while the AML placement could in turn be held up by the lukewarm reception for Volksbank.

The Aachener & Münchener group, which, unlike Volksbank, has hardly diversified outside Germany, has said it intended to finance European expansion by selling of 25 per cent holdings in subsidiaries. At the same time, the group's ally Allianz - a cross-selling of financial services including bank and insurance products - has proved expensive. The association with BIG, the sibling ex-trade union bank for which AML had nearly some years ago been a steady source of business.

The 1990 AMV accounts show write-downs totalling DM883m in connection with the group's 50 per cent stake in BIG. AMV's international strategy is also uncertain with the advances of the French insurer Assurances Generales de France (AGF).

Du Pont names chief of global unit

By Karen Zager in New York

DU PONT, the biggest US chemicals company, has for the first time placed leadership of one of its global businesses outside North America. Yesterday it appointed Mr David Williamson, president of Du Pont Europe, to head its \$1.8bn (£1.1bn) agricultural products operations.

Mr Williamson will become senior vice-president of Du Pont Agricultural Products at the end of August in addition to his European post. About a third of Du Pont's \$35.5bn 1990 sales came from Europe, and half the agricultural unit's sales are made outside the US. Mr Williamson will be the first Du Pont senior manager to live in Europe.

Mr Edgar Woodard, Du Pont's chairman, said the appointment was the company's efforts to strengthen its global perspective. Mr Williamson succeeds Mr J.R. (Ted) Newall, chairman and chief executive of Du Pont Canada, in addition to heading the agricultural business. Du Pont also said yesterday it would eliminate about 1,000 jobs from its fibres business, to help the unit save \$150m this year and next, as part of its "continuing cost restructuring". The fibres business has already cut 700 positions this year.

European paper groups form link

By Martin Leadbeater, Industrial Editor

AWA WIGGINS Appleton, an Anglo-French paper group, yesterday strengthened its position in the continental European market for high quality decorative papers and laminates with a majority stake in a leading German specialist papermaker.

AWA is in the final stages of negotiations on a £20m deal to buy Buhl Group, which accounts for about a fifth of the German market for high quality decorative papers and laminates used in the furniture industry.

AWA bought a majority stake in Buhl, which is a limited partnership with eight members, and is finalising the purchase of the outstanding shares. The acquisition fits in with AWA's strategy to move away from commodity paper production and expand into high value-added specialty papers, the fastest growing part of the paper industry.

About 70 per cent of Buhl's turnover comes from decorative papers with fine papers for the graphic industry accounting for the rest.

AWA is hoping to develop links between Buhl's decorative paper activities and its existing operations elsewhere in Europe. The deal would give AWA a foothold in the German market, which accounts for 45 per cent of its sales.

The German market is growing at between 6 per cent and 8 per cent a year at a time when other European markets are stagnant. Although two-thirds of AWA's turnover of £2.6bn comes from Europe, it has only a limited presence in Germany. Buhl had a turnover of DM360m in 1990.

Buhl has four large paper-making mills operating on the Rhine. AWA will move production from one of the mills and be expanded significantly with minimal capital investment.

This is AWA's first large acquisition since it was created last December through the merger of Wiggins Teape Appleton of the UK and Arjomari, the French-based paper group. The purchase marks a further important step in the driven shake-up of the European paper industry.

North American and European paper producers' profits are being hit severely by the downturn. WTA, in its latest results, reported a 9 per cent fall in profits.

Mr Eddie governor, Mr senior Mr Roger ing super-

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INT'L COMPANIES AND CAPITAL MARKETS

Hint on merger of Canadian airlines

Robert Gibbons in Montreal

THE CANADIAN government is hinting that a merger of Air Canada and Canadian Airlines International might be approved if it would solve their financial problems.

The federal cabinet has been wary of the political implications of such a merger - including possible reaction to widespread lay-offs - but Mr. Jean Corbett, transport minister, now says he is ready to discuss the possibility.

Both airlines have long dismissed the idea of a merger but they could face combined losses of up to \$350m (\$354.7m) in the next two years, unless the market stage a recovery.

Mr. D. R. Murphy, vice-president, finance, of PWA, the parent of Canadian Airlines, recently broached the subject when he said his company would consider a merger as a last resort.

He said it was one of the options PWA could sell equity to a foreign carrier or establish a marketing agreement with Air Canada. "If all fails, a merger would have to be considered," he said.

Air Canada, which holds more than 50 per cent of the domestic market - has not ruled out the possibility of a merger.

Both airlines continue to suffer heavy losses. The travel market has picked up slightly this summer but it is not expected to shrug off the impact of the recession in the second half, and 1993 is expected to be slow.

The two airlines have both asked the government to allow foreign carriers to hold more than the present 25 per cent limit in their equity.

Air Canada tried unsuccessfully to link with USAir and Delta, possibly with an equity swap.

Canadian has also sought foreign partners with little success. It has joint marketing arrangements with eight other airlines, against Air Canada's five.

Canadian has a broad network with access to Tokyo, while Air Canada offers an attractive northern bridge into Europe.

Air India registers record earnings

By Gita Piramal in Bombay

AIR INDIA, the country's flag carrier, has announced record net earnings of Rs812m (\$17.7m) for the 1990-91 financial year despite the effects of the Gulf war and increased fuel costs.

In the previous year, the airline recorded net profits of Rs709m. Operating revenue in the latest period rose by 18.9 per cent to Rs16,277m.

Expected the airline's results would be so good and earlier this year it had been predicted that the airline would suffer a substantial loss because of the Gulf war.

During the conflict, Air India's 125,000 people, placing a heavy burden on its resources. While losses resulting from this have been disclosed, industry experts believe these might be as much as Rs1,500m.

The airline was also affected by higher insurance charges and there have been frequent clashes between management and unions, leading to delayed and even cancelled flights.

However, Air India now appears to be on a steadier course. Mr. S. R. Gupta, acting chairman, said the next few months looked very promising.

In the first quarter of the current fiscal year, Air India made a profit of Rs150m, against Rs65m in the corresponding period of the previous year.

Packer objects to TNT reports

AUSTRALIAN businessman Mr. Kerry Packer has distanced himself from two items published in one of his group's magazines on TNT, the troubled transport group, revealing his intention to buy shares in the transport group, writes Mark Westfield in Sydney.

Mr. Packer said last night he wanted to make it clear he did not share the views expressed in two articles in his magazine, The Bulletin, which he described as "derogatory".

"Mr. Packer finds himself in a position of conflict, as it was his intention to purchase shares in TNT and it is still his intention to do so," his statement said.

The article reported TNT's admission that it expected to face a net loss after extraordinary expenses of A\$187m for the year.

Ampolex trebles income and rekindles speculation

By Mark Westfield in Sydney

PIONEER INTERNATIONAL has trebled its net earnings to A\$48.1m (\$537.5m) for the year to June 30, rekindling speculation of a takeover bid for the producer and explorer.

Ampolex achieved its improved profit after a 20 per cent increase in production in response to the doubling of oil prices, following Iraq's invasion of Kuwait a year ago.

Sales rose to A\$217.47m, with pre-tax earnings more than doubling to A\$79.8m from A\$26.6m in 1990.

Ampolex directors warned of a lower profit for the financial year as world oil prices were expected to fall from the A\$20 mark of late last year.

The company is 49.3 per cent owned by Pioneer, the building products group, which has been a renowned seller of the holding since it mopped up minority in Ampolex's parent, refiner and retailer Ampol in 1988.

The last financial year's net earnings were A\$26.6m, a 20 per cent increase on A\$22.1m in 1989.

Earlier this year to Nippon Steel of Japan (Cr\$33.75). The government had sold cheap shares to Nippon Steel in an effort to settle a long-term dispute with the company.

The judge also said that in his opinion the price of Usiminas, currently at US\$1.54bn, was too low.

Bank (BNDES), which is in charge of the privatisation, was preparing to counter-attack yesterday. "We will make a legal appeal this week to reverse the decision," said Mr. Wanderley Pinto de Medeiros, head of the legal department.

Mr. Pinto de Medeiros admitted, however, that even if BNDES eventually won the case, there was a "good chance" that the September 31 deadline would not be met.

Mr. Richard Thomas, manager of corporate affairs, said yesterday that there was a possibility the group might make last year's profit "but that was not certain. It will be a substantial fall".

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FT LAW REPORTS

Auditors need not reveal books

RE BRITISH & COMMON-
WEALTH HOLDINGS PLC
Chancery Division: Mr Justice
Hoffmann
July 11 1991

PRODUCTION OF documents to enable a company's administrators to inquire into its affairs and dealings, will be ordered by the court only in respect of information to which the company is entitled from its officers or servants, past or present, as a matter of course or fiduciary duty. It does not extend to information which would have been unavailable to the company other than in legal proceedings.

Mr Justice Hoffmann held when allowing an appeal by the respondent auditors, Spicer & Oppenheim, from Mr Registrar's order requiring them to produce documents in the application of the administrators of British & Commonwealth Holdings plc (B&C).

Section 236 of the Insolvency Act 1986 provides: "(2) The court may, on the application of the administrators, order any person whom the court thinks capable of giving information concerning the... business, dealings, affairs or property of the company, to produce any books, papers or other records in his possession... relating to the company or the matters mentioned in paragraph (1)..."

Mr Justice Hoffmann said that on January 1 1988 B&C acquired Atlantic Computers plc for £117m. Over the following 18 months it put in another £117m. In April 1990 B&C was informed by Atlantic's auditors that without further additional support it could not continue to trade. B&C was unable to provide funds, and on April 18 administrators of Atlantic were appointed by the court.

B&C was into administration on July 11. Atlantic's statement of assets of £275m. That remarkable reversal compared with its apparent prosperity at the time of acquisition raised questions about how its affairs had been conducted. On June 15 the Secretary of State appointed inspectors to investigate Atlantic's affairs. The crash also

raised questions about representations made to B&C by Atlantic's directors and advisers at the time of acquisition. Spicer & Oppenheim, Atlantic's auditors from 1983 until June 1990, before the acquisition, had given an unqualified audit opinion on Atlantic's financial statements for 1987. During the acquisition they produced a working capital report on the instructions of the merchant bank advisers. On May 4 1989, they gave an unqualified audit opinion of its financial statements for 1988.

On January 16 1991 the solicitors to the administrators wrote to Spicer asking to inspect documents in their possession. They asked the acquisition of Atlantic was part of B&C's "dealings" or "affairs" within section 236(2) of the Insolvency Act 1986.

The Registrar's order requiring Spicer to produce documents relating to the audit of Atlantic's 1988 and 1989 accounts, and to the acquisition.

Spicer now sought to discharge the order on grounds that it was oppressive, and amounted to use of section 236(2) for a purpose not intended by Parliament.

Until *Cloverbay* (1991) Ch 1, in which an order to produce documents was set aside as oppressive, the administrator should be asked to produce documents almost invariably to see whether he had been misled by the company's officers.

That subjective test was approved by the Court of Appeal in *Cloverbay*. The vice-chancellor said there was no "simple test". He said the court had to "balance the requirements of the liquidator against any possible oppression to the person to be examined".

If that balancing act were all that was involved in exercise of the discretion, the Registrar's order should stand.

A listed public company had become insolvent, with widespread loss to creditors and investors. The principal cause of the crash was that a subsidiary acquired for £400m with the advice of merchant bankers, accountants and others, was found after less than two years and the introduction of

another £117m, to be insolvent in the time of 1990.

Villainy was suspected. The administrators were trying to piece together a picture of Atlantic's true financial position at time of acquisition.

As against that, evidence of oppression sworn on Spicer's behalf consisted of rhetoric and generalities. Their solicitor said the volume of discovery was "very large". But there was no suggestion that the order did not enable Spicer to identify files required or that production would involve too much trouble and expense.

Each case must be decided on its merits. The relevance of the information claim was that production of audit papers might show Spicer were negligent.

No doubt it was unpleasant to have to produce information which might provide evidence of negligence, but that was no more than a factor in the balancing exercise.

In *Cloverbay* the Court of Appeal found it particularly objectionable that BCCI officials should be orally examined with a view to producing a fraud case against them. But there was no suggestion of fraud by Spicer and an order for cross-examination was sought.

Spicer said the order was oppressive because the administrators had not specified which areas of the accounts were under investigation.

The only purpose of asking for greater specificity was to alert Spicer to matters on which the administrators considered they or someone else might be witnessable. That was not an excessive reason to prevent the administrators from having access to the accounts.

The first ground upon which Spicer made their application was rejected.

The second ground involved use of section 236(2) powers for an improper purpose.

In *Cloverbay* the vice-chancellor said the reason for the inquisitorial jurisdiction in section 236 was that an administrator was into the company with no previous knowledge and frequently found records were missing or defective.

He said "the purpose of section 236 is to enable him to get sufficient information to reconstitute the state of knowledge that the company should possess. Its purpose is not to put the company in a better position than it would have

enjoyed if liquidation or administration had been effected".

That purpose could only be achieved by the production of "knowledge that the company should possess", and that it would not be proper to make an order for the purpose of putting the company in a better position than it would have enjoyed if liquidation or administration had been effected.

Mr Moss for the administrators, said knowledge which could be "reconstituted" was not the same as the knowledge which parties would have had if they had been dealing honestly, honourably and reasonably.

The vice-chancellor did not think reconstituting the company's knowledge "to have that excluded meaning".

If the company had remained solvent, it would not have been entitled to reconstitute its knowledge from the fraudster or to interrogate him, except in legal proceedings. The vice-chancellor was referring to information to which the company was entitled from its officers and servants, past or present, as a matter of course or fiduciary duty.

Section 236(2) could be used to obtain information which would not have been available to the company at all.

By that test little if any of the information sought by the administrators could be described as "reconstituting the company's knowledge".

If B&C had remained solvent, it would have had no access to the state of affairs lying behind Atlantic's accounts and financial statements, or the accounts of representations made during acquisition, except in legal proceedings.

The passage in *Cloverbay* was a clear and considered statement of principle, and after consideration of earlier authorities, it was the court's duty to apply it. The Registrar's order was outside the purpose of section 236 and must be discharged.

For the administrators: Gabriel Moss QC and John Briscoe (Stephen Harwood).

For Spicer and Oppenheim: Goldsmith QC and Robin Knowles (Linklaters & Paine).

Rachel Davies
Barrister

MORE BUSINESSMEN INVOLVED IN CHOOSING UK OR INTERNATIONAL BANKING SERVICES READ THE FT THAN ANY OTHER DAILY PAPER.

Source: ■■■■

For more information please call Ben Hughes in London on Tel 71-873 4797

COMPANY NOTICES

CYDRA S.A.
Floating Rate Notes
NOTICE IS HEREBY GIVEN that for the interest period commencing on 7th August 1991, the Notes will bear interest at the rate of 7 7/8% per annum. The interest is payable on 1st November 1991 against Coupon No. 1 with the U.S. \$625 Nominal.
Agent Bank
BANK OF CANADA
BANK OF AMERICA
BANK OF MONTREAL

LEGAL NOTICES

FIRSTMEASURE PLC
(In Liquidation)
Registered number 218225
Notice of business: Securities Investment Company
Trade classification: Division 7
Notice of appointment of joint administrators: The British Linen Co. received: 24 July 1991
Name of person appointing the joint administrators: The British Linen Co.
C. J. HARRIS
Joint Administrators
(Office holder nos 2041 and 2128)
Cork Quay
Dublin 1
2 Noble Street
London EC2V 7DQ

OBITUARIES

SMITH-COX CBE, TD, JP CBE was passed peacefully away at home on Sunday 2nd August after a short illness, aged 81 years. Beloved husband of Mary, father of Geoffrey, Peter and John, and mother of Henry. Geoffrey, Peter and John were in the Royal Air Force. Geoffrey was a pilot and a member of the Royal Air Force. Peter was a pilot and a member of the Royal Air Force. John was a pilot and a member of the Royal Air Force. Henry was a pilot and a member of the Royal Air Force. Geoffrey, Peter and John were in the Royal Air Force. Geoffrey was a pilot and a member of the Royal Air Force. Peter was a pilot and a member of the Royal Air Force. John was a pilot and a member of the Royal Air Force. Henry was a pilot and a member of the Royal Air Force.

CLUBS

RFC has notified others due to policy of fair play and value for money. Support from 10-12.30 am. Gloucestershire, including cabaret. 100 Regent St. 01-771-751-0527

PERSONAL

ALL CROCODILE ARTICLES.
All Leather Luggage, Trunks, Bloodstone wanted.
071-229 9618.

The United Mexican States Floating Rate

Privatization Notes Due 2001

The applicable rate of interest for the period August 1, 1991, through and including October 31, 1991, to be paid November 1, 1991, is period of 181 days, at 6.8750%. This is 13/16% above the offered rate for three-month deposits in U.S. Dollars which appeared on the display designated as the British Bankers Association's Interest Settlement Rate (6.0625%) as quoted on the Dow Jones/Telerate Monitor on Telerate Screen No. 3750 as at 11:00 A.M. (London Time) July 30, 1991.

The above equates to an interest payment of 17.5694 per USD 1,000.00 in principal amount of Notes.



Charles E. Giuliani
Assistant General Manager
Banco Nacional de Mexico, NY

August 6, 1991

TECK CORPORATION

Notice to Unitholders Distribution Date August 6, 1991

On July 3, 1991 Teck Corporation issued pursuant to a Short Form Prospectus dated June 20, 1991 Units comprised of one Class B Subordinate Voting Share and one-half Class B Subordinate Voting Share Purchase Warrant.

The Prospectus provides that the Units are delivered by way of a legended certificate evidencing the Class B Subordinate Voting Shares and the Warrants, which Warrants become separable on or before September 30, 1991 on a date to be determined by the Directors of the Company, the Underwriters and the European Managers (the "Distribution Date"). They have determined August 6, 1991 as the Distribution Date and, accordingly, the legended certificates evidencing the Class B Subordinate Voting Shares and the Warrants will, after the close of business on August 6, 1991, represent only the number of Class B Subordinate Voting Shares set forth on such certificates. Unitholders of record at the close of business on August 6, 1991 will be mailed, during the week of August 6, 1991, certificates representing the Warrants to which they are entitled.

The Class B Subordinate Voting Shares and the Warrants into which the Units become separable on August 6, 1991 have been listed and posted for trading on the Toronto, Montreal and Vancouver Stock Exchanges. For additional information, please contact your broker or the Transfer Agent, National Trust Company, at its principal offices in Toronto, Calgary, Winnipeg, Vancouver and Montreal or Connaught St. Michaels Ltd. at its offices in Luton, Bedfordshire, England.

During the period commencing the Distribution Date and ending December 15, 1993, each whole Warrant entitles its holder to subscribe for one Class B Subordinate Voting Share of Teck Corporation at a price of \$25.00 per Class B Subordinate Voting Share.

DATED at Toronto, Ontario, August 1, 1991

M. Moorman, Secretary

This announcement appears as a matter of record only. July 1991



National Power

NATIONAL POWER PLC
U.S. \$750,000,000

U.S. Commercial Paper Program
Rated A-1 by Standard and Poor's Corporation
Rated P-1 by Moody's Investors Service Ltd

Arranger and Rating Advisor
Merrill Lynch & Co.

Dealers

Goldman Sachs Money Markets, Inc.
Merrill Lynch and Co.

Issuing and Paying Agent
Manufacturers Hanover Trust Co.



Merrill Lynch



National Power

NATIONAL POWER PLC
U.S. \$500,000,000

Euro-Commercial Paper Programme
with Multi-currency Options

Rated A-1 by Standard and Poor's Corporation
Rated P-1 by Moody's Investors Service Ltd

Arranger

UBS Phillips & Drew Securities Limited
Dealers

Barclays de Zoete Wedd Limited
NatWest Capital Markets Limited

UBS Phillips & Drew Securities Limited
Issuing and Paying Agent

National Westminster Bank PLC



UBS Phillips & Drew



National Power

NATIONAL POWER PLC
STG100,000,000
Swingline Facility

(Incorporated within the STG1,500,000,000
Revolving Credit Facility dated December 13, 1990)

Arranged by

Manufacturers Hanover Trust Company

Swingline Banks

Barclays Bank PLC

Deutsche Bank Aktiengesellschaft

London Branch

Manufacturers Hanover Trust Company

National Westminster Bank PLC

Union Bank of Switzerland

Swingline Agent

Manufacturers Hanover Limited



MANUFACTURERS HANOVER

LONDON SHARE SERVICE

Latest Prices are available on FT Cityline. Calls charged at 34p/minute cheap rates and 45p/minute at all times. Obtain your free Booklet ring 071-925-2128

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AMERICANS

1991	Stock	Price	Div	Yield	P/E
100	Alcoa Inc.	32.50	0.30	0.92	11.5
101	Alcoa Inc.	32.50	0.30	0.92	11.5
102	Alcoa Inc.	32.50	0.30	0.92	11.5
103	Alcoa Inc.	32.50	0.30	0.92	11.5
104	Alcoa Inc.	32.50	0.30	0.92	11.5
105	Alcoa Inc.	32.50	0.30	0.92	11.5
106	Alcoa Inc.	32.50	0.30	0.92	11.5
107	Alcoa Inc.	32.50	0.30	0.92	11.5
108	Alcoa Inc.	32.50	0.30	0.92	11.5
109	Alcoa Inc.	32.50	0.30	0.92	11.5
110	Alcoa Inc.	32.50	0.30	0.92	11.5

CANADIANS

1991	Stock	Price	Div	Yield	P/E
111	Alcan Inc.	32.50	0.30	0.92	11.5
112	Alcan Inc.	32.50	0.30	0.92	11.5
113	Alcan Inc.	32.50	0.30	0.92	11.5
114	Alcan Inc.	32.50	0.30	0.92	11.5
115	Alcan Inc.	32.50	0.30	0.92	11.5
116	Alcan Inc.	32.50	0.30	0.92	11.5
117	Alcan Inc.	32.50	0.30	0.92	11.5
118	Alcan Inc.	32.50	0.30	0.92	11.5
119	Alcan Inc.	32.50	0.30	0.92	11.5
120	Alcan Inc.	32.50	0.30	0.92	11.5

BANKS, HP & LEASING

1991	Stock	Price	Div	Yield	P/E
121	Bank of America	32.50	0.30	0.92	11.5
122	Bank of America	32.50	0.30	0.92	11.5
123	Bank of America	32.50	0.30	0.92	11.5
124	Bank of America	32.50	0.30	0.92	11.5
125	Bank of America	32.50	0.30	0.92	11.5
126	Bank of America	32.50	0.30	0.92	11.5
127	Bank of America	32.50	0.30	0.92	11.5
128	Bank of America	32.50	0.30	0.92	11.5
129	Bank of America	32.50	0.30	0.92	11.5
130	Bank of America	32.50	0.30	0.92	11.5

BEERS, WINES & SPIRITS

1991	Stock	Price	Div	Yield	P/E
131	Beck's Beer	32.50	0.30	0.92	11.5
132	Beck's Beer	32.50	0.30	0.92	11.5
133	Beck's Beer	32.50	0.30	0.92	11.5
134	Beck's Beer	32.50	0.30	0.92	11.5
135	Beck's Beer	32.50	0.30	0.92	11.5
136	Beck's Beer	32.50	0.30	0.92	11.5
137	Beck's Beer	32.50	0.30	0.92	11.5
138	Beck's Beer	32.50	0.30	0.92	11.5
139	Beck's Beer	32.50	0.30	0.92	11.5
140	Beck's Beer	32.50	0.30	0.92	11.5

BUILDING, TIMBER, ROADS

1991	Stock	Price	Div	Yield	P/E
141	Bechtel Group	32.50	0.30	0.92	11.5
142	Bechtel Group	32.50	0.30	0.92	11.5
143	Bechtel Group	32.50	0.30	0.92	11.5
144	Bechtel Group	32.50	0.30	0.92	11.5
145	Bechtel Group	32.50	0.30	0.92	11.5
146	Bechtel Group	32.50	0.30	0.92	11.5
147	Bechtel Group	32.50	0.30	0.92	11.5
148	Bechtel Group	32.50	0.30	0.92	11.5
149	Bechtel Group	32.50	0.30	0.92	11.5
150	Bechtel Group	32.50	0.30	0.92	11.5

BUILDING, TIMBER, ROADS

1991	Stock	Price	Div	Yield	P/E
151	Bechtel Group	32.50	0.30	0.92	11.5
152	Bechtel Group	32.50	0.30	0.92	11.5
153	Bechtel Group	32.50	0.30	0.92	11.5
154	Bechtel Group	32.50	0.30	0.92	11.5
155	Bechtel Group	32.50	0.30	0.92	11.5
156	Bechtel Group	32.50	0.30	0.92	11.5
157	Bechtel Group	32.50	0.30	0.92	11.5
158	Bechtel Group	32.50	0.30	0.92	11.5
159	Bechtel Group	32.50	0.30	0.92	11.5
160	Bechtel Group	32.50	0.30	0.92	11.5

CHEMICALS, PLASTICS

1991	Stock	Price	Div	Yield	P/E
161	Chemical Bank	32.50	0.30	0.92	11.5
162	Chemical Bank	32.50	0.30	0.92	11.5
163	Chemical Bank	32.50	0.30	0.92	11.5
164	Chemical Bank	32.50	0.30	0.92	11.5
165	Chemical Bank	32.50	0.30	0.92	11.5
166	Chemical Bank	32.50	0.30	0.92	11.5
167	Chemical Bank	32.50	0.30	0.92	11.5
168	Chemical Bank	32.50	0.30	0.92	11.5
169	Chemical Bank	32.50	0.30	0.92	11.5
170	Chemical Bank	32.50	0.30	0.92	11.5

DRAPERY AND STORES

1991	Stock	Price	Div	Yield	P/E
171	Chemical Bank	32.50	0.30	0.92	11.5
172	Chemical Bank	32.50	0.30	0.92	11.5
173	Chemical Bank	32.50	0.30	0.92	11.5
174	Chemical Bank	32.50	0.30	0.92	11.5
175	Chemical Bank	32.50	0.30	0.92	11.5
176	Chemical Bank	32.50	0.30	0.92	11.5
177	Chemical Bank	32.50	0.30	0.92	11.5
178	Chemical Bank	32.50	0.30	0.92	11.5
179	Chemical Bank	32.50	0.30	0.92	11.5
180	Chemical Bank	32.50	0.30	0.92	11.5

DRAPERY AND STORES

1991	Stock	Price	Div	Yield	P/E
181	Chemical Bank	32.50	0.30	0.92	11.5
182	Chemical Bank	32.50	0.30	0.92	11.5
183	Chemical Bank	32.50	0.30	0.92	11.5
184	Chemical Bank	32.50	0.30	0.92	11.5
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187	Chemical Bank	32.50	0.30	0.92	11.5
188	Chemical Bank	32.50	0.30	0.92	11.5
189	Chemical Bank	32.50	0.30	0.92	11.5
190	Chemical Bank	32.50	0.30	0.92	11.5

ELECTRICITY

1991	Stock	Price	Div	Yield	P/E
191	Chemical Bank	32.50	0.30	0.92	11.5
192	Chemical Bank	32.50	0.30	0.92	11.5
193	Chemical Bank	32.50	0.30	0.92	11.5
194	Chemical Bank	32.50	0.30	0.92	11.5
195	Chemical Bank	32.50	0.30	0.92	11.5
196	Chemical Bank	32.50	0.30	0.92	11.5
197	Chemical Bank	32.50	0.30	0.92	11.5
198	Chemical Bank	32.50	0.30	0.92	11.5
199	Chemical Bank	32.50	0.30	0.92	11.5
200	Chemical Bank	32.50	0.30	0.92	11.5

DRAPERY AND STORES - Contd

1991	Stock	Price	Div	Yield	P/E
201	Chemical Bank	32.50	0.30	0.92	11.5
202	Chemical Bank	32.50	0.30	0.92	11.5
203	Chemical Bank	32.50	0.30	0.92	11.5
204	Chemical Bank	32.50	0.30	0.92	11.5
205	Chemical Bank	32.50	0.30	0.92	11.5
206	Chemical Bank	32.50	0.30	0.92	11.5
207	Chemical Bank	32.50	0.30	0.92	11.5
208	Chemical Bank	32.50	0.30	0.92	11.5
209	Chemical Bank	32.50	0.30	0.92	11.5
210	Chemical Bank	32.50	0.30	0.92	11.5

ELECTRICITY

1991	Stock	Price	Div	Yield	P/E
211	Chemical Bank	32.50	0.30	0.92	11.5
212	Chemical Bank	32.50	0.30	0.92	11.5
213	Chemical Bank	32.50	0.30	0.92	11.5
214	Chemical Bank	32.50	0.30	0.92	11.5
215	Chemical Bank	32.50	0.30	0.92	11.5
216	Chemical Bank	32.50	0.30	0.92	11.5
217	Chemical Bank	32.50	0.30	0.92	11.5
218	Chemical Bank	32.50	0.30	0.92	11.5
219	Chemical Bank	32.50	0.30	0.92	11.5
220	Chemical Bank	32.50	0.30	0.92	11.5

FOOD, GROCERIES, ETC

1991	Stock	Price	Div	Yield	P/E
221	Chemical Bank	32.50	0.30	0.92	11.5
222	Chemical Bank	32.50	0.30	0.92	11.5
223	Chemical Bank	32.50	0.30	0.92	11.5
224	Chemical Bank	32.50	0.30	0.92	11.5
225	Chemical Bank	32.50	0.30	0.92	11.5
226	Chemical Bank	32.50	0.30	0.92	11.5
227	Chemical Bank	32.50	0.30	0.92	11.5
228	Chemical Bank	32.50	0.30	0.92	11.5
229	Chemical Bank	32.50	0.30	0.92	11.5
230	Chemical Bank	32.50	0.30	0.92	11.5

HOTELS AND CATERERS

1991	Stock	Price	Div	Yield	P/E
231	Chemical Bank	32.50	0.30	0.92	11.5
232	Chemical Bank	32.50	0.30	0.92	11.5
233	Chemical Bank	32.50	0.30	0.92	11.5
234	Chemical Bank	32.50	0.30	0.92	11.5
235	Chemical Bank	32.50	0.30	0.92	11.5
236	Chemical Bank	32.50	0.30	0.92	11.5
237	Chemical Bank	32.50	0.30	0.92	11.5
238	Chemical Bank	32.50	0.30	0.92	11.5
239	Chemical Bank	32.50	0.30	0.92	11.5
240	Chemical Bank	32.50	0.30	0.92	11.5

INDUSTRIALS (Misc.)

1991	Stock	Price	Div	Yield	P/E
241	Chemical Bank	32.50	0.30	0.92	11.5
242	Chemical Bank	32.50	0.30	0.92	11.5
243	Chemical Bank	32.50	0.30	0.92	11.5
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245	Chemical Bank	32.50	0.30	0.92	11.5
246	Chemical Bank	32.50	0.30	0.92	11.5
247	Chemical Bank	32.50	0.30	0.92	11.5
248	Chemical Bank	32.50	0.30	0.92	11.5
249	Chemical Bank	32.50	0.30	0.92	11.5
250	Chemical Bank	32.50	0.30	0.92	11.5

ENGINEERING

1991	Stock	Price	Div	Yield	P/E
251	Chemical Bank	32.50	0.30	0.92	11.5
252	Chemical Bank	32.50	0.30	0.92	11.5
253	Chemical Bank	32.50	0.30	0.92	11.5
254	Chemical Bank	32.50	0.30	0.92	11.5
255	Chemical Bank	32.50	0.30	0.92	11.5
256	Chemical Bank	32.50	0.30	0.92	11.5
257	Chemical Bank	32.50	0.30	0.92	11.5
258	Chemical Bank	32.50	0.30	0.92	11.5
259	Chemical Bank	32.50	0.30	0.92	11.5
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300	Chemical Bank	32.50	0.30	0.92	11.5

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% ROR	648
% P/E	29
% Div Yld	1978
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% L.A. 2014	5974
% L.A. 1998	2132
% Div Yld	172
HOLSTON HIGGS	
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Ultramar	30	
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Prices are in pence unless otherwise indicated and discounts are expressed as a percentage of net asset value. All investments designated * will no longer refer to U.S. dollars. Values are shown after all buying expenses. Prices of certain closed-end funds are based on plans subject to capital gains tax. The following are listed in alphabetical order by name. For further information contact a District Sales Office or write to Financial Press Limited, Insurance Place, 1 Simple premium income fund. * 0.8% per annum in Luxembourg as a UCITS (Undertakings for Collective Investment in Transferable Securities), a different price for investors in Luxembourg. * 0.7% per annum in Luxembourg. Previous share price, in Germany, was 100 pence. Yield Index Jersey Tax, 1 Ex-cess return, 100% available in distributable form. * Yield column shows annualized returns over the last year.

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